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# ***Daily Report***

## **China**

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# Daily Report China

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26 August 1988

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## General

### Iran-Iraq's Geneva Negotiations 'Will Be Tough'

OW2508085188 Beijing XINHUA in English  
0629 GMT 25 Aug 88

[“News-Analysis: Hard Bargaining Predicted in Iran-Iraq Talks (by Zhu Jiefei)”—XINHUA headline]

[Text] Geneva, August 25 (XINHUA)—Iran and Iraq are finally to sit down at the negotiating table here today under the U.N. secretary general's auspices to seek a comprehensive implementation of U.N. Resolution 598, five days after the U.N.-monitored cease-fire began.

However, their first face-to-face talks will be tough as the warring sides, entangled in the bloodiest and longest major conflict between two Third World nations since World War Two, are likely to disagree on many points of the peace proposals contained in the U.N. cease-fire resolution.

Both Iran and Iraq, after finding neither could win the nearly eight-year war, accepted Resolution 598 and agreed to meet face-to-face on the full implementation of the 10-point peace plan that includes troop withdrawals to internationally recognized boundaries, exchanges of prisoners of war, an impartial inquiry into responsibility for starting the conflict and post-war reconstruction.

Diplomats here see the definition of the borders as an early problem facing negotiators.

Iran insists that the frontier be settled under a 1975 Algiers accord which Iraq tore up at the outbreak of war in September, 1980.

The 1975 treaty, signed by the late shah of Iran and Iraqi President Saddam Husayn, stipulates that the border runs through the middle of the Shatt al-Arab's deepest channel and that the two nations share the channel.

But Iraq wants the boundary returned to the Iranian bank. The Shaat al-Arab River is the only outlet to the sea for the almost land-locked Iraq.

Besides, there are many poorly defined lines of demarcation along their 1,200 kilometre border. Military commanders on both sides have ordered their frontline troops to keep on the alert after the cease-fire and not to be the first to retreat.

No deadline for troop withdrawals can be easily predicted, and finding where exactly to draw the international boundary will only come after long and hard bargaining, according to Western observers.

The question of who was to blame for starting the war is another of the most contentious issues that holds out little hope for a quick agreement.

Iran had made acceptance of Iraq as the aggressor a fundamental pre-condition for the implementation of Resolution 598 when it was passed by the U.N. a year ago.

Although it has now unconditionally accepted the cease-fire resolution, its leaders have repeated on various occasions their insistence on forming an investigating committee to affix responsibility for starting the war.

Compared with those two major obstacles, the exchange of prisoners of war will be a somewhat easier hurdle, although hard bargaining is inevitable.

U.N. chief Javier Perez de Cuellar told reporters upon his arrival here Tuesday that he expected both sides to be cooperative in the exchange of Pows, now estimated at 80,000. Iran is holding 50,000 Iraqi POWs while Iraq is said to have captured 30,000 Iranians.

According to Radio Tehran on Tuesday, Iran has decided to free a group of 70 disabled Iraqi POWs and has expressed its willingness to exchange POWs [prisoners of war] within three months of the cease-fire, which began last Saturday.

Iraq has reportedly offered a list of names of 5,000 Iranian POWs, but Iran says 20,000 Iranians are missing and unaccounted for.

Meanwhile, on the eve of the Geneva talks Iran and Iraq have already traded accusations and denials over violations of the August 20 cease-fire.

Iranian President 'Ali Khomeini warned that the truce does not mean the end of the war, but only shows that the conflict has moved from the warfront to the negotiating table.

Perez de Cuellar was also cautious about the prospects of the Geneva negotiations, saying that he did not believe the problems could be resolved in a matter of months.

“But one must not be pessimistic. I hope that if there is true political will to resolve the problem, we will be able to proceed with a rather fast and accelerated rhythm,” he said.

## Comparison of Spokesman on Pakistani Relations

Beijing XINHUA Domestic Service in Chinese at 1419 GMT on 25 August carries a report on Foreign Ministry Spokesman Jin Guihua's remarks about Sino-Pakistani relations.

The XINHUA Domestic Chinese version has been compared to the XINHUA English version published in the 25 August China DAILY REPORT, page 1 and found to be identical, except for the following:

From paragraph two, only sentence to paragraph three, first sentence reads: "...of Ziaul Haq.

"China and Pakistan are two close friendly neighbors. The friendly relations..." (adding sentence).

### United States & Canada

#### U.S. Trade Law Called 'Protectionist'

OW2608020688 Beijing in English to East and South Africa 1700 GMT 24 Aug 88

[Report by station correspondent Zhang Guohua from Washington]

[Text] U.S. President Ronald Reagan has signed into law a protectionist trade bill approved by both the U.S. Senate and House. Our Washington correspondent Zhang Guohua reports:

The law requires the U.S. President to retaliate against the so-called foreign trade abuses and expands the definition of unfair foreign trade practices that may trigger retaliation. The most extensive revision of U.S. trade law since World War II has been criticized and protested by America's major trade partners, who call the law protectionist.

Speaking at the signing ceremony, even President Reagan expressed reservations about some sections of the new trade law, while claiming the new legislation will help the U.S. economy continue to grow and compete. Reagan said the law could lead to an import fee that would be illegal according to international law and inconsistent with his goal of moving to a free world trade.

President Reagan also accused the law of assigning specific authority to executive officials, such as the U.S. trade representative, a practice inconsistent with U.S. constitutional principles.

Observers believe with the protectionist trade bill signed into law, the trade war between the United States and its major trade partners is expected to intensify, with more retaliations and counterretaliations.

#### Vice Premier Wu Meets With U.S. Congressman

OW2508134388 Beijing XINHUA in English 1110 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Chinese Vice-Premier Wu Xueqian met here today with Stephen J. Solarz, chairman of the Sub-Committee of Asian-Pacific Affairs of the Foreign Affairs Committee of the U.S. House of Representatives, and his colleagues.

The host and guests discussed the Kampuchean question in detail.

#### Canada Assists With Aquatic Training Center

HK2508123388 Beijing CEI Database in English 25 Aug 88

[Text] Jinan (CEI)—The Sino-Canadian Aquatic Training center has been set up recently in Qingdao City.

Cooperation between China and Canada will be conducted in aquatic research, personnel training and information exchange with the establishment of the training center.

The first term of training course focus on seaweed breeding and comprehensive utilization will start in June 1990.

The center is aided by the international development research center of Canada which has helped China financially in 70 projects concerning agriculture, forestry, foodstuff and information science since 1980.

### Soviet Union

#### Roundup Views Soviets' Legislative Role

HK2508073788 Beijing GUANGMING RIBAO in Chinese 11 Aug 88 p 4

["Roundup" by Moscow-based reporter Gao Fengyi [7559 7689 0308]: "What Kind of People's Deputies Do We Need?"—Discussion by Soviet Media of the Role of People's Deputies"]

[Text] What kind of people's deputies do we need? This question recently has been a hot topic discussed in depth by the Soviet press. Ranging from the basic qualities of the people's deputy to his political articulation, from his responsibility toward the functions that he should serve, the forum is lively and everyone delivers his own opinion. Although on many problems outlooks differ and viewpoints vary, there is one consensus: In a real socialist democratic country, people's deputies should not be a rubber stamp or voting machine but should really stand for and defend people's interests.

For years, many people's deputies at various levels of the Soviets have been those hard workers who had distinguished themselves in productive work in their professions. Against this, the Soviet LITERATURNAYA GAZETA pointed out that what a good people's deputy needs is wide knowledge, a capacity for social activities and courage to express his own opinion. One article in IZVESTIYA said critically that many people's deputies do not have the ability to analyze important political and economic issues as required by the office of the Soviets in discussing crucial national economic problems. An article in PRAVDA also wrote that some people's deputies have participated in Soviet meetings for years on end without ever giving a speech, only following others to raise their hands in voting. Many articles in Soviet newspapers have pointed out that "people's deputy" is more than an honorary title. It bears substantial responsibility. A people's deputy differs from an advanced productive worker. While the latter needs only to work

hard, the former must be equipped with the basic qualities and ability of a social activist, for his duty is to participate in discussion and decision on various aspects of national or local social life.

Soviet newspapers also pointed out that for many years elections by people have often been nothing more than a sham. For instance, there is only one candidate named to elect one deputy, voters have no choice at all. What is termed an election means no more than attending to certain formalities and performing some procedure. An April article in IZVESTIYA observes that in the people's deputy election process, the superior organs always send out various directives such as how many young girls, young men, or workers deputies are to be elected—all for the purpose of maintaining a formal balance, and not considering at all if the elected deputies are qualified in political discourse. The article took the composition of the deputies in the Supreme Soviet as an example and pointed out that of the 1,500 deputies, 16 are woman tailors, 19 woman weavers, and only two are in the legal profession. The article then put up a question: What are the standards in electing the Supreme Soviet's deputies? Judging from all the materials printed in the newspapers, there is a general wish to reform the existing election method. Specifically, people demand that there be the practice of having more nominated candidates than the number actually elected; that candidates put forward their election platforms and publicize them on newspaper, radio and at mass assemblies; and that a prescribed elected proportion of people's deputies based on sex, age and occupations be scrapped. People demand that the rights to elect people's deputies be returned to them in full.

During the wide-ranging discussions, many people have emphasized that the quality of people's deputies is but one of the problems. In order to make the people's deputies fulfil their expected functions, there should be a thorough reform in the entire work system of the soviets of people's deputies. Some newspaper articles pointed out that nominally people's deputies are to discuss and decide on important social issues, but in practice only two to three people's deputy sessions are convened every year, whose purpose is largely to give formal approval to documents and decrees drafted by bureaucratic organs beforehand. For all practical purposes, the soviets of people's deputies are a rubber stamp and the participation of people's deputies at various levels of soviet meetings is a mere formality. As everyone knows, questioning the executives is one of the important powers of people's deputies. But a look at the materials listed in PRAVDA reveals that the 1,500 deputies of the Supreme Soviet exercised such a right only twice between 1984 and 1988. Over the last several decades, the Supreme Soviet plenary sessions have cast numerous votes on various laws and documents and each time they were "unanimous agreement." An article in IZVESTIYA has called for an end to this "strange phenomenon." The Soviet public are worried about the puppet state of the

soviets of people's deputies at all levels. They demand an end to the soviet as an appendage to the party and government organs and urge that its original historical status be recovered.

### Northeast Asia

#### Further Reportage on Takeshita Visit

##### 'New Starting Point' in Relations

HK2508153288 Hong Kong AFP in English  
1451 GMT 25 Aug 88

[By Robert Macpherson]

[Text] Beijing, Aug 25 (AFP)—Japanese Prime Minister Noboru Takeshita began a six-day tour of China on Thursday looking for what he called a "new starting point" in relations between the two Asian powers.

Young Japanese living in Beijing waved small flags at Beijing airport as Mr. Takeshita, 64, got off his flight from Tokyo, witnesses said. He then sped off to the Great Hall of the People in the heart of the city for a three-hour talk with Premier Li Peng, who readily accepted an invitation to visit Japan next year.

"I hope to look back on the development of relations between China and Japan, reaffirm the basis of our relationship and make this (trip) a new starting point (in bilateral ties)," he told Mr. Li in opening remarks before journalists. Mr. Li credited his guest for "great work" which had given "a new impetus" to Sino-Japanese relations after a series of incidents that strained ties between Asia's richest nation and its most populous.

Later, during a banquet speech, he said "some complications" which had cropped up in Sino-Japanese relations had been overcome. One Japanese source said past sore points—including Chinese fears of resurgent right-wing militancy in Japan—had not been discussed in the talks. He added that Mr. Li had readily accepted an invitation to visit Japan next year "when the cherry blossoms are out... perhaps April."

Mr. Takeshita is making his first trip here since becoming prime minister in November 1987 and his fifth since 1972. His itinerary includes stops in northwest China and Shanghai. Mr. Takeshita said an agreement to protect Japanese capital in China—due to be signed here Friday—would spur investment. He also formally offered a six-billion-dollar loan package for 1990-95, with soft terms to be reviewed yearly. Similar loans this year have a bargain-basement interest rate of 2.5 per cent.

Meetings are scheduled Friday with senior leader Deng Xiaoping and Communist Party General Secretary Zhao Ziyang, and Japanese diplomats say efforts to restore peace in Cambodia will be one of the agenda items.



China pulled out all the protocol stops to welcome Mr. Takeshita. In Tiananmen Square, festooned with Chinese and Japanese flags, he was greeted with a 19-gun salute. Two children presented him and his wife with flowers while 350 others waved colorful bouquets and ribbons. The ceremony was the top item on China's evening newscast.

Sino-Japanese relations have been strained in recent months by Chinese fears of resurgent militarism and a Japanese court ruling that gave ownership of a Kyoto dormitory for Chinese students to Nationalist-ruled Taiwan. Beijing has also been unhappy with a reluctance by Japanese businessmen to match Hong Kong and United States investors in pouring capital into the Chinese economy. Only 8.7 per cent of foreign investment in China hails from Japan, according to official Chinese figures. The Japanese sources put the figure at 1.74 billion dollars as of March 1988.

One sore point has been healing. Both governments say Japan's trade surplus with China has been evaporating, after reaching 4.2 billion dollars in 1986.

#### **Banquet Speeches Reported**

OW2508141388 Beijing XINHUA in English  
1330 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Chinese Premier Li Peng and Japanese Prime Minister Noboru Takeshita pledged here today their governments will continue to work for the growth of Sino-Japanese friendly relations and cooperation.

That will bring benefits to the two peoples and will also be conducive to peace and development of the Asian-Pacific region and the world as whole, the two leaders agreed.

Speaking at a state banquet welcoming the visiting Japanese Prime Minister in the Great Hall of the People, Li said 1988 marks the 10th anniversary of the signing of the Sino-Japanese Peace and Friendship Treaty. This treaty has consolidated the political foundation of relations between the two countries.

He said that the treaty and the Sino-Japanese Joint Declaration constitute a basic principle for the development of relations between the two countries and also provide criteria upon which to guide their exchanges, he said.

In the past 10 years, he said, under the guidance of the treaty and declaration, Sino-Japanese relations have made useful progress by overcoming some twists and turns that have occurred time and again and have brought important benefits to both sides.

"The practice has made us realize that strictly abiding by the principles of the Sino-Japanese Declaration and Sino-Japanese Peace and Friendship Treaty is the basic guarantee for the healthy development of our bilateral relations," the Chinese premier said.

As a respected friend of the Chinese people, Li said, Takeshita has made valuable efforts for the normalization of the diplomatic relations between China and Japan and the development of bilateral friendly and cooperative relations.

Takeshita has many times expressed his will to attach importance to the development of Sino-Japanese relations and has put much enthusiasm and energy into the further strengthening of such relations since becoming the prime minister of Japan, Li said.

He stressed that both China and Japan share the same idea of developing the long-term and good-neighborly relations between them.

Li said to Takeshita, "As both of us are heads of the new governments of our respective countries, I hope, during our terms of office, we would join efforts to strengthen our cooperation and to create new prospects for our bilateral relations based on the good foundation established by former statesmen in both countries."

On the world situation, Li said that there have been some positive changes in the international situation recently, adding that the relaxation of East-West relations has been conducive to peace.

To develop Sino-Japanese good-neighborly and friendly cooperation is not only in the interests of both peoples, but is also important in the practice of peaceful coexistence and common development between countries with different social systems and different levels of economic development, he said.

Noboru Takeshita said the main goal of his current visit to China was to exchange views in full with Chinese Premier Li Peng. This is Takeshita's first visit to China as prime minister of Japan.

He said that the development of a fine, lasting and steady relationship between Japan and China has been an important policy of Japan.

He said the policy of abiding by the Japan-China Joint Declaration, the Treaty of Peace and Friendship between Japan and China and the four principles of the Japan-China relations will remain unchanged.

If two countries with different systems cooperate in such a spirit, no question between them cannot be settled, he added.

He said Japan spoke highly of the efforts China has made for the implementation of its modernization policy. Japan will continue to cooperate in this process as far as possible, he said. Apart from the development of political and economic relations, Japan hoped to strengthen cultural relations, he said.

He pointed out that the Japan-China relationship was extremely important. There are broad prospects for the two countries to contribute to world peace and prosperity, he said.

Takeshita said that it was not easy for anyone to assess accurately a country as vast as China with its long history during his visit. Takeshita said he hoped that he could learn more about the country's cultural heritage and about its modernization.

At the banquet, Li Peng and Noboru Takeshita exchanged stamps as souvenirs.

#### **Li Peng, Takeshita Hold Talks**

HK2508160188 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1428 GMT 25 Aug 88

[Report by Li Wei (2621 0251): "Li Peng Holds Talks With Takeshita"]

[Text] Beijing, 25 Aug (ZHONGGUO XINWEN SHE)—This afternoon during their 3 and 1/2 hours of talks, Chinese Premier Li Peng and Japanese Prime Minister Noboru Takeshita extensively and in an in-depth manner exchanged views on the development of the relations between the two countries, some important problems concerning their relations, further economic cooperation and cultural exchanges, the current international situation, and some hot topics.

Noboru Takeshita stressed: Developing the friendship between Japan and China is an important pillar of Japan's foreign policy. The Japanese Government, taking a serious reexamination of past history as a starting point and in accordance with the Sino-Japanese joint declaration, the Sino-Japanese peace and friendship treaty, and the four principles governing relations between Japan and China, attaches great importance to the development of Sino-Japanese relations. He said that he has always taken the friendship between Japan and China as his faith.

Li Peng pointed out: An important part of China's foreign policy of independence and taking the initiative in its own hands is to steadily develop good-neighborly relations and friendship with Japan. Li Peng said that he personally attaches great importance to the development of Sino-Japanese relations and hopes that by making joint efforts with Takeshita, he can bring about a new situation on the solid foundation built by the older generation of politicians.

Commenting on the issue of the Kokuryo Dormitory, Prime Minister Takeshita indicated that Japanese Government has indicated several times that it takes this issue seriously and will handle it in accordance with the principle of one China.

Takeshita said: Japan welcomes the development of the exchanges across the Strait and hopes that these exchanges will further develop.

Li Peng reiterated: The Kokuryo Dormitory issue has to do with the basic principles governing Sino-Japanese relations. It is hoped that this issue will be reasonably and properly settled in accordance with the Sino-Japanese joint declaration, the Sino-Japanese peace and friendship treaty, and criteria prescribed by international law.

Prime Minister Takeshita proposed some specific conceptions and suggestions on further strengthening the cultural ties between the two countries. He expressed the belief that this is a matter to which greater importance should be attached in relations between Japan and China, which have traditional cultural ties. Li Peng expressed his agreement with this point.

Takeshita also announced that the Japanese Government has decided to provide China with new government loans involving some 810 billion yen in the 6 years beginning with 1990.

On the current world situation, Prime Minister Takeshita believed that marked relaxation is on the horizon, and he said that Japan welcomes this relaxation. Li Peng pointed out that some positive changes have surfaced in the world situation, with a certain degree of relaxation, which China welcomes. He expressed the hope that this tendency will continue. However, he said, the realization of genuine relaxation involves the unremitting efforts of people all over the world.

Prime Minister Takeshita has invited Li Peng to visit Japan again, and the latter has gladly accepted the invitation.

Prior to their meeting, Li Peng held welcoming ceremonies for Prime Minister in the square outside the eastern gate of the Great Hall of the People. Prime Minister Takeshita similarly returned the greetings of the Young Pioneers when they presented him with bouquets.

Prime Minister Takeshita, Madame Takeshita, and their entourage arrived in Beijing this afternoon for a 6-day visit. This is the first time he has visited China as prime minister in his five trips to China since 1972.



### Li 'Welcomes' Investments

HK2508154188 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1427 GMT 25 Aug 88

[Report by reporter Li Wei (2621 0251): "The Japanese Government Is To Provide China With a New Loan Involving Around 810 Billion Yen"]

[Text] Beijing, 25 Aug (ZHONGGUO XINWEN SHE)—The Japanese Government is to provide China with new government loans involving around 810 billion yen. Japanese Prime Minister Noboru Takeshita made the announcement here this afternoon during a meeting with Chinese Premier Li Peng.

Li Peng expressed his thanks to the Japanese side for its funding cooperation. He said that this action by the Japanese side is helpful to China and will be the same to Japan from a long-range point of view.

Li Peng also said that China welcomes Japan entrepreneurs to make investments in China and that China is to further improve its investment climate.

### Li To Visit Japan

OW2508125188 Tokyo KYODO in English  
1140 GMT 25 Aug 88

[Text] Beijing, Aug. 25 KYODO—China's Premier Li Peng will make an official visit to Japan next spring, it was agreed during his meeting with visiting Japanese Prime Minister Noboru Takeshita held here on Thursday.

It was also agreed that Chinese Foreign Minister Qian Qichen will visit Japan in late October to mark the 10th anniversary of the Japan-China Peace and Friendship Treaty. Japanese sources said. The treaty signed on August 12, 1978 went into effect two months later on October 23.

### Dormitory Issue Discussed

OW2508163388 Beijing XINHUA in English  
1556 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Both Chinese Premier Li Peng and Japanese Prime Minister Noboru Takeshita stressed here today that both their governments regard it as integral to their foreign policy to expand Sino-Japanese friendship.

During their three-and-a-half hour talks at the Great Hall of the People today, Li Peng said that to develop lasting and stable relations of friendship and good-neighborliness is an important component part of China's independent foreign policy of peace.

He said he himself attaches great importance to Sino-Japanese friendship. He said he hopes, together with Takeshita, further to promote bilateral relations based on the foundation provided by former elder statesmen.

Takeshita said that developing Japan-China friendship is one of the major pillars of Japan's foreign policy.

Li said that through serious self-examination of Japan's past history and in the spirit of the Japan-China joint statement, the Sino-Japanese Treaty of Peace and Friendship and the four principles guiding Japan-China relations, the Japanese Government will persevere in its policy of attaching importance to the development of Japan-China relations. Japan will render cooperation to China within its capacity for China's modernization drive.

Takeshita said that the Japanese Government will, during the six years starting from 1990, provide China with new loans of 810 billion Japanese yen.

Li expressed thanks for Japan's financial cooperation. This will not only benefit China, he said, but also Japan in the long term.

Li said that he welcomed Japanese industrialists to come to invest in China. He also said that the Chinese Government is working hard to further improve the investment environment.

Takeshita welcomed the increasing exchanges between the two sides across the Taiwan Strait, and hoped to see continued growth of such exchanges.

On the Kokuryo case which involves the ownership of a students' dormitory in Japan, the prime minister said that the Japanese Government attaches great importance to this issue and will handle it according to the principle of "one China."

Li said that the problem involves basic principles of the two countries' relations. He said he hopes the problem will be solved reasonably and properly in the light of the Sino-Japanese joint statement, the Sino-Japanese Treaty of Peace and Friendship and the norms of international law.

Takeshita suggested that cultural exchanges between the two countries should be expanded.

The two leaders also exchanged views on international issues.

Takeshita invited Li Peng to visit Japan, and Li accepted the invitation.

### Further on Dormitory Issue

OW2508153988 Tokyo KYODO in English  
1516 GMT 25 Aug 88

[Text] Beijing, Aug. 25 KYODO—Japanese Prime Minister Noboru Takeshita on Thursday offered China a new loan package of 810 billion yen during fiscal 1990

and 1995 and said that Japan is also ready to extend another 40 billion yen in an untied loan by the Export-Import Bank of Japan, Japanese officials said.

He offered the loan during his meeting with Chinese Premier Li Peng held at the Great Hall of the People after he arrived here earlier in the day for a six-day official visit.

During the meeting, Takeshita welcomed the recent expansion of exchanges between China and Taiwan and pledged to maintain the declaration of the 1972 Japan-China joint communique which recognizes one China.

During nearly three-and-a-half hours of talks, Takeshita and Li agreed that the Kokuryo dormitory case should not adversely affect friendly bilateral relations, the officials said in a briefing to reporters. China has accused Japan of having created a "two Chinas" or "one China and one Taiwan" policy after a Japanese court ruling in favor of Taiwanese ownership of the disputed Chinese student dormitory in Kyoto. Takeshita was quoted as saying both Japan and China should make efforts to resolve the problem with respect for each other's domestic situation.

Takeshita said that with intensification of bilateral relations, frictions may occur, but these problems should be resolved through mutual efforts, the Japanese sources said. Li was quoted as saying that countries with the same political system are not always friendly and, conversely, that many countries with different systems do have friendly relations. Takeshita said that although Japan and China have different systems, the two countries should make every effort to deepen their friendship, the sources said.

During the meeting, Takeshita invited Li to visit Japan next spring and Li accepted the invitation, the Japanese officials said. Chinese Foreign Minister Qian Qichen also said he would like to visit Japan in late October to celebrate the 10th anniversary of the Japan-China Peace and Friendship Treaty, they said.

On other economic problems, Takeshita said Japan hopes to provide grant-in-aid in the environmental field to commemorate the 10th anniversary of the bilateral peace and friendship treaty. He said an investment protection pact to be signed here Saturday will promote Japanese investment in China and proposed arranging a conference to discuss promotion of technological transfer, they said. Li agreed with Takeshita and urged expansion of high technology exchanges, they said.

The Japanese prime minister called for expansion of cultural and academic exchanges and proposed discussing the matter at the Japan-China Friendship Committee for the 21st century. Takeshita also proposed projects to

preserve cultural properties in Dunhuang, an ancient city in northwestern China on the former Silk Road. Takeshita is scheduled to visit the city on Saturday and Sunday.

Japan hopes to improve the situation for Chinese students in Japan both in quantity and in quality, Takeshita was quoted as saying. As for the Korean problem, Li said China seeks stability in the Korean peninsula and that it supports the July 7 declaration of South Korean President No Tae-u if it will help stability and rapprochement between North and South Korea, the Japanese officials said. In the declaration, No called for promotion of exchange between Seoul and Pyongyang and said he will continue to seek improved relations with China, the Soviet Union and other socialist countries.

On the Kampuchean issue, Li said China supports the four-party coalition led by Prince Norodom Sihanouk and that the withdrawal of Vietnamese troops from Kampuchea is important.

The Chinese premier said China and the Soviet Union have made some progress in improving relations in the fields of economics, culture and technology. Li said the major obstacle in improving relations between Beijing and Moscow is the Kampuchean issue, the officials said.

Takeshita will meet President Yang Shangkun, senior leader Deng Xiaoping and party General Secretary Zhao Ziyang on Friday. He will leave here on Saturday to visit Dunhuang and Xian before returning to Tokyo via Shanghai next Tuesday.

#### Deng Welcomes Takeshita

OW2608062188 Beijing XINHUA in English  
0600 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Chinese leader Deng Xiaoping said here today he hoped China and Japan will establish a new type of relations based on mutual trust.

Speaking at a meeting with Noboru Takeshita, the visiting Japanese prime minister in the Great Hall of the People, Deng said he himself is also enthusiastic in promoting Sino-Japanese friendship.

"I extend warm welcome to you," he told Takeshita, "My welcome has expressed an aspiration that Chinese and Japanese leaders should establish a new type of relationship, which is not lower than that forged during the period when Kakuei Tanaka and Masayoshi Ohira were prime ministers. And our relations should be based on mutual trust."

Takeshita said he is very pleased to meet with Deng, a Chinese statesman of the older generation, and hoped that Chinese and Japanese people will be good friends who open their hearts to each other.

### Deng Characterizes Relations

OW2608042388 Tokyo KYODO in English  
0406 GMT 26 Aug 88

[Text] Beijing, 26 KYODO—Senior Chinese leader Deng Xiaoping, meeting Japanese Prime Minister Noboru Takeshita in Beijing Friday, expressed his belief that Sino-Japanese relations, already friendly, can be further strengthened to a new stage. Deng said he feels a belief in bilateral friendship is shared by both countries, Japanese sources said.

Friendly Sino-Japanese relations are vital for not only the two countries, but also for the Asia-Pacific region and the people of the whole world, Deng was quoted as saying.

The 84-year-old Deng, looking healthily sun-tanned, greeted Takeshita at the entrance of a conference room at the Great Hall of the People, adding he had just returned last night to receive the Japanese premier after a vacation at Beidaihe, a summer resort northeast of Beijing.

Deng said he hopes Takeshita, who became Japanese premier last November, will deepen personal relations with Chinese party chief Zhao Ziyang and Premier Li Peng, "the two busiest people in China". [Hong Kong AFP in English at 0410 GMT on 26 August, in an item on Deng's meeting with Takeshita, report the following: "Chatting at the start of their meeting at the Great Hall of the People, Mr. Takeshita, 64, told Mr. Deng—who turned 84 on Monday but looked fit and deeply tanned after holidays—he was pleased to meet one of China's older generation of leaders.

"I am not that busy," Mr. Deng replied. "China's busy men are Zhao Ziyang and Li Peng. I'm enjoying my leisure time while the work is mainly done by them."]

### Deng Stresses 'Mutual Trust'

OW2608094688 Beijing XINHUA Domestic Service  
in Chinese 0818 GMT 26 Aug 88

[By reporter Chai Shikuan]

[Text] Beijing, 26 August (XINHUA) Comrade Deng Xiaoping this morning met with Japanese Prime Minister Noboru Takeshita at the Great Hall of the People. Deng Xiaoping said: The relations between China and Japan should be established on the basis of mutual trust.

This was Deng Xiaoping's first meeting with a foreign guest in nearly 40 days. He told Noboru Takeshita: "I especially returned here from outside Beijing yesterday to meet you. I am a person who is enthusiastic about promoting Sino-Japanese friendship. Today, I would like to express a hope: Our two countries can establish a new type of relationship which is on no lower a plane than

that forged during the periods of Kakuei Tanaka and Masayoshi Ohira." He pointed out that such a relationship should be based on mutual trust.

Noboru Takeshita told Deng Xiaoping that he was very pleased to meet a Chinese statesman of the older generation. He hoped that Chinese and Japanese people will be "friends who open their hearts to each other."

Discussing China's economic development, Deng Xiaoping emphatically pointed out that reforms must be carried out if China is to advance to the ranks of the middle-level developed countries by the middle of the 21st century. He pointed out: Efforts should be made to grasp three major links in future development: Firm resolve coupled with careful planning, appropriate economic growth rate, and international cooperation which can help China tide over its difficulties.

Deng Xiaoping expressed his gratitude to Japan for its willingness to start a new cooperation with China. He hoped that Japan can strengthen cooperation in the field of technology and investment transfer to China. He stressed: "These are much more important than granting loans." Deng Xiaoping said: Japanese small- and medium-sized enterprises, which have enormous capacity, are welcome to invest in China.

Noboru Takeshita said: A Japan-China investment protection agreement will soon be signed. The Japanese side will take this opportunity to promote technological cooperation with China. Such cooperation is also beneficial to Japan.

Present at the meeting were Chinese Foreign Minister Qian Qichen, Culture Minister Wang Meng, and principal Japanese officials accompanying Noboru Takeshita on the visit.

### Deng Raises State Subsidies Issue

HK2608120088 Beijing ZHONGGUO XINWEN  
SHE in Chinese 0936 GMT 26 Aug 88

[Report by Li Wei (2621 0251): "Deng Xiaoping Says China and Japan Can Establish a New Type of Sino-Japanese Relationship Which Is On No Lower a Plane Than That Forged During the Times of Tanaka and Ohira"]

[Text] Beijing, 26 Aug (ZHONGGUO XINWEN SHE)—Deng Xiaoping, who returned to Beijing from Beidaihe last night, met Japanese Prime Minister Noboru Takeshita this morning. In his conversation with Takeshita, he indicated: "China and Japan can establish a new type of relationship which is on no lower a plane than that forged during the period when Kakuei Tanaka and Masayoshi Ohira were prime ministers of Japan."



He also explained that during the times of Tanaka and Ohira the two countries trusted each other. Further development of the relationship between the two countries must be based on mutual trust.

Takeshita said he quite understood what Deng Xiaoping meant.

Deng Xiaoping expressed his thanks for the new economic cooperation between Japan and China. He said: China hopes that Japan will strengthen technological transfer to China and investment cooperation, in which Japan's medium- and small-sized enterprises have a great potential. They are welcome to China to make investments and carry out technological transfer. "These are even more important than granting loans."

Talking about China's development, Deng Xiaoping stressed: If China wants to reach the level of the middle-level developed countries by the middle of the next century, major reforms must be carried out. As far as China is concerned, an important issue left over from the past is the subsidies given by the state to the people. Since the beginning of the 1980's, these subsidies have become heavier, more seriously affecting the speed of development. For this reason, it is necessary to conduct reform, particularly to straighten out price relationships.

Deng Xiaoping pointed out: In China's future development there are three major links. First, in reform there must be firm resolve and careful planning. With careful planning, there is a greater possibility for the reform to succeed. Second, there must be an appropriate economic growth rate. It will not do to go too fast or too slow. Third, if there is economic cooperation internationally, our capacity to tide over difficulties will be greater.

Takeshita said: It is possible for China to achieve its own plan. Japan will strengthen technological cooperation with China. Such cooperation is also beneficial to Japan.

The 70-minute meeting took place in the Fujian Room in the Great Hall of the People.

When the meeting started, Deng Xiaoping told Prime Minister Takeshita that China's busy men were Zhao Ziyang and Li Peng and that since he had withdrawn from the first line, he could "conduct activities in the sea in a very leisurely and carefree manner" (referring to swimming at Beidaihe some time ago).

Sun-tanned and clad in black tunic and trousers, Deng Xiaoping walked with firm steps and had a smile on his face, looking very energetic.

More than 100 Chinese and foreign reporters covered the meeting.

### Deng on Reform, 'Moderate Growth'

OW2608062388 Tokyo KYODO in English  
0552 GMT 26 Aug 88

[By Hideharu Torii]

[Text] Beijing, Aug. 26 KYODO—China's senior leader Deng Xiaoping thanked Japanese Prime Minister Noboru Takeshita Friday for Japan's economic cooperation and called for technological cooperation, Japanese officials said.

Deng told Takeshita that it is time for China to overcome the biggest difficulties facing it. The 84-year-old Chinese leader said that to overcome these difficulties, China needs steady implementation of economic reform, moderate growth, and cooperation from foreign countries.

During the 70-minute talks at the Great Hall of the People, Deng said the economic cooperation Takeshita promised Chinese Premier Li Peng on Thursday is not minor, and that he sincerely welcomes it.

The Japanese prime minister pledged to extend an 810 billion yen loan to China during fiscal 1990 and 1995.

Deng said transfer of technology is important for China's economic development and called for Japan's technological cooperation. Deng also called for more investment from Japan, especially from small- and medium-sized companies.

The Japanese prime minister was quoted as saying in reply that Japan cannot expect to independently expand its economy much more and that economic cooperation has merits for both Japan and China by supplementing and helping each other and that it will lead to peace and stability for the Asia-Pacific region and the world as a whole. Takeshita added that he hopes to increase investment of Japanese private firms in China.

Deng said leaders of the two countries have changed recently and urged Takeshita to establish new bilateral ties closer even than those existing under the governments of Kakuei Tanaka and the late Masayoshi Ohira.

China gives high marks to the governments of Tanaka, who was prime minister when Japan normalized diplomatic ties with China in 1972, and Ohira.

Takeshita said Japan hopes to expand exchanges of students so that Chinese students can study science and technology in Japan.

In discussing future Sino-Japanese relations, Deng cited the need for mutual trust. This could be taken as an implicit suggestion that Deng hopes Japan will make efforts to settle the dispute over a Japanese court ruling in favor of Taiwanese ownership of the Kokuryo Chinese student dormitory in Kyoto.

Deng said China will have no difficulty in achieving its goal of a per-capita national income of 800-1,000 dollars by the end of this century.

However, Deng said China must continue with its reform policy in order to develop itself into a middle-level advanced country by the first half of the 21st century.

If China achieves its goal of a per-capita national income of 800 dollars by the end of the 20th century, its gross national product will total 1 trillion dollars, given a population of 1.2 billion, Deng said.

Deng also said that if it could attain its goal of a per-capita national income of 4,000 dollars by the year 2050, China would be in the first rank of nations with a GNP of 6 trillion dollars and 1.5 billion population.

Reform is always accompanied by risk and if China's reform does not go well, it will cause great problems, Deng said. He said China has set a five-year plan to stabilize prices and the government will fight price rises.

#### **Zhao Meets Takeshita**

OW2608130088 Beijing XINHUA in English  
1227 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Zhao Ziyang, general secretary of the Chinese Communist Party Central Committee, met Japanese Prime Minister Noboru Takeshita here today. The two leaders discussed bilateral relations and international issues.

Zhao expressed his gratitude to Takeshita for his efforts to develop the Sino-Japanese long-term friendship and said that he hoped the leaders of both countries will continue to make efforts to strengthen cooperation.

Takeshita spoke highly of China's current reform and open policy. He said it is natural for Japan to strengthen its economic cooperation with China. Such cooperation will benefit both countries and the region as a whole.

After Zhao had outlined China's stance on Kampuchea, Takeshita said China's position on the issue is reasonable, adding that Japan also believes that Vietnam should withdraw its troops from Kampuchea and then a democratic government be set up.

#### **Zhao Discusses Cambodian Issue**

OW2608115988 Beijing XINHUA in English  
1134 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Chinese leader Zhao Ziyang said here today that China is in support of a call to send peace-keeping forces and an international supervision committee to Kampuchea to ensure the establishment of a four-party coalition government headed by Samdech Norodom Sihanouk.

Speaking at a meeting with the visiting Japanese Prime Minister Noboru Takeshita, Zhao, general secretary of the Chinese Communist Party Central Committee, said the Kampuchean conflict was created by the invasion of Vietnamese troops and the solution hinges primarily on the complete withdrawal of Vietnamese troops from Kampuchea as soon as possible.

"This is the key for the restoration of and guarantee for Kampuchea's independence, neutrality and non-alignment," he said.

Zhao said that Vietnam has now shown some flexibility in its troop withdrawals but this problem has not yet been solved. "Since Vietnam lacks sincerity and is inventing excuses to delay its troop withdrawals," he said, "the international community should keep vigilance over it."

Zhao said that the international community is understandably concerned about how to prevent the Khmer Rouge from returning to power in Kampuchea after Vietnam pulls out its troops.

"But the more immediate danger is that Vietnam is trying by every possible means to legalize the puppet regime in Kampuchea, allowing the Heng Samrin-Hun Sen regime to assume exclusive power."

He said that judging from the present condition of the Kampuchean armed forces of the four parties, the Heng Samrin-Hun Sen party is the strongest both in terms of military personnel and armaments. Zhao said that neither China nor the international community want to see a monopolization of power by the Khmer rouge. But neither do they want to see exclusive exercise of power by the Heng Samrin-Hun Sen party. This would imply recognition of the Vietnamese invasion of Kampuchea.

"This is an important principle," Zhao stressed, "we have always stood for the establishment of a four-party provisional coalition government, the real leader of which should be Samdech Sihanouk. To make this come about, the Chinese Government supports the call for sending peace-keeping forces and an international supervision committee to Kampuchea."

Zhao proposed that all the original armed forces should be disbanded to establish a unified national defense army composed in equal measure by forces of the four parties, and that a unified headquarters be set up. This, Zhao said, would help to prevent conflicts, ensure peace and the smooth holding of a general election.

Zhao said that China stands for Democratic Kampuchea retaining its seat in the U.N. pending the complete withdrawal of Vietnamese troops from that country.

After the withdrawal of Vietnamese troops, he continued, "China will support a four-party coalition government taking the seat in the U.N. and will oppose any two-party or three-party government taking it."

Zhao reaffirmed that China seeks no interests of its own in Kampuchea and will never seek to establish any sphere of influence there.

"China seeks only to uphold justice, oppose aggression and adhere to the norms of international relations and the U.N. Charter. China has joined other countries to support Kampuchea's just struggle against Vietnamese aggression," he said.

After the withdrawal of all Vietnamese troops, Kampuchea should be run by the Kampucheans free from all outside interference, and China is willing to take part in international guarantees in this regard, he said.

China has all along supported efforts and attempts for a settlement of the Kampuchea question, Zhao said.

In issuing the four-point statement of the Chinese Foreign Ministry on July 1, China has put forward very reasonable and practical proposals. This has shown the positive attitude of the Chinese Government and its top leaders in seeking a political settlement of the Kampuchea question, Zhao said.

#### **Takeshita Lays Wreath**

OW 2608074688 Beijing XINHUA in English  
0731 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Japanese Prime Minister Noboru Takeshita laid a wreath at the Monument of the People's Heroes in the Tiananmen Square here earlier today in the company of Chinese Cultural Minister Wang Meng. The wreath bore the words "Eternal Glory to the People's Heroes of China."

#### **Yang Shangkun Thanks Takeshita**

OW 2608080588 Beijing XINHUA in English  
0748 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Chinese President Yang Shangkun today thanked visiting Japanese Prime Minister Noboru Takeshita for his strenuous efforts to enhance the friendly cooperative ties between China and Japan since he took office.

At a meeting here this morning at the Great Hall of the People, Yang called Takeshita "our respected old friend." Yang extended a warm welcome to Takeshita on his current China visit on the occasion of the 10th anniversary of the signing of the Sino-Japanese Treaty of Peace and Friendship.

Since the two countries normalized relations in 1972 and signed a treaty of peace and friendship in 1978, Yang said, the bilateral relations have developed satisfactorily

and in an all-around way. Such an encouraging situation of Sino-Japanese friendship and Sino-Japanese relations is not easy to come by; Therefore it should be treasured dearly, he stressed.

He said that as long as the two sides treat each other honestly, take into consideration the overall situation, pay attention to history, face reality, and solve existing problems in the bilateral relations in a timely and proper manner, the two countries will surely see a further development of bilateral relations on the existing favorable basis. The statesmen of both countries have responsibility in consolidating and expanding the existing relations, he added.

Takeshita said that he was very pleased to visit China on this anniversary occasion. He said he would, regarding the occasion as a starting point, work to further expand the bilateral relations and seek lasting friendship between the two countries.

#### **Yang Hopes for Taiwan Talks**

OW 2608041388 Tokyo KYODO in English  
0343 GMT 26 Aug 99

[By Hideharu Torii]

[Text] Beijing, Aug. 26 KYODO—Chinese President Yang Shangkun told Japanese Prime Minister Noboru Takeshita Friday that China hopes to hold talks between the Chinese Communist Party and the Kuomintang (Nationalist Party) in Taiwan for the unification of China, Japanese officials said.

Yang was quoted as saying China is calling for two systems under one China and that Taiwan could implement their own political system as a province and special administrative zone.

During a one-hour talk with Takeshita, who arrived Thursday on a six-day visit, Yang said China favors the talks as a concrete process toward realization of one state under two systems. In reply, Takeshita welcomed the Chinese posture on Taiwan, saying that the Japanese will highly rate such a realistic approach on the Chinese side.

It is also necessary to implement a three-exchange policy in commerce, posts and shipping across the Taiwan straits for realization of the talks between the two sides, Yang said. The Chinese president said the three-exchange policy has begun on a practical level, but it has not become an official policy, although China hopes that the sides can reach agreement to make the three-exchange official.

Yang said China is doing its best for economic development and implementing a reform policy of openness in its economic and political systems. He added Japan's cooperation is important because Japan is a major partner with China.



### **Shandong's Liang Buting Meets Japanese Team**

SK2608062988 Jinan Shandong Provincial Service  
in Mandarin 2200 GMT 25 Aug 88

[Text] On the afternoon of 25 August, at Jinan's Qilu Guesthouse, Liang Buting, secretary of the provincial party committee, and Jiang Chunyun, provincial governor, cordially met with some members of a friendship delegation visiting China headed by (Okaki Kaheita), an old friend of the Chinese people and a noted Japanese social activist; and extended a warm welcome to the guests for their visit to the province.

Mr. (Okaki Kaheita), who is 91 years old and currently serves as permanent adviser to the Japanese-Chinese Economic Association, has visited China on more than 80 occasions.

During the reception, provincial leading comrades spoke highly of the contributions made by Mr. (Okaki Kaheita) to promote friendly cooperation and contacts between Shandong Province and Japan; and wished him good health and long life as well as a successful visit to the province. Comrade Liang Buting said: We are greatly honored by the visit of Mr. (Okaki Kaheita) to our province once again. Now contacts between us are relatively normal. But there are still a small number of Japanese people who have failed to sum up the lessons gained from the history and therefore failed to adapt themselves to the general trends of friendship between China and Japan. This should attract our vigilance. So long as the peoples of China and Japan closely cooperate with each other, we are very hopeful about passing Chinese-Japanese friendship down from generation to generation.

Mr. (Okaki Kaheita) said: This is my second visit to Shandong following my participation in the ribbon-cutting ceremony at the opening of the Tai Shan cableway 5 years ago. I believe that through friendly contacts between the two sides, the friendship between Japanese and Chinese peoples will certainly pass from generation to generation.

Also joining the reception were Vice Governor Ma Shizhong and responsible comrades of departments concerned.

This 37-member team headed by Mr. (Okaki Kaheita) arrived in Jinan from Qingdao on the afternoon of 25 August and will travel to Tai Shan for sightseeing on 26 August.

### **Hebei Marks Anniversary of Link With Japan**

SK2608093588 Shijiazhuang HEBEI RIBAO  
in Chinese 11 Aug 88 p 1

[Excerpts] On the afternoon of 10 August, more than 1,200 Chinese and Japanese youths attended the meeting held at the auditorium of the Workers' Cultural Palace of Shijiazhuang City, the capital of Hebei Province, to

mark the fifth anniversary of the establishment of friendly ties between Hebei Province and Nagano Prefecture in Japan and of the visit paid by the Nagano Prefecture's youths to the province.

In November 1983, our province established friendly ties with Nagano Prefecture of Japan. Over the past 5 years, cooperation between the province and the Japanese prefecture in the economy, culture, and technology has achieved steady development, and friendly contacts between the people of the province and the prefecture have increased day after day. The fifth visit paid by the goodwill ship of the Nagano Prefecture's youths has made active contributions to promoting the mutual understanding of the people between the province and the prefecture and maintaining friendly ties between the two countries from generation to generation. Attending today's commemoration meeting were all members of the Japanese goodwill ship delegation headed by Nobuo Koyama, director of the Nagano Prefectural General Affairs Department, who were on their fifth visit to the province. During the meeting, Vice Governor Wang Zuwu and Nobuo Koyama delivered speeches. [passage omitted]

During the meeting, the provincial acrobatic troupe gave a wonderful performance for the participants of Chinese and Japanese youths.

Also attending the commemoration meeting were Li Guangshun, deputy secretary general of the provincial People's Government; Zhen Sanlu, director of the provincial foreign affairs office; Yuan Daomo, director of the provincial machinery and electronic industrial department; and responsible persons from the provincial and city departments concerned.

### **Japanese Defense Agency Requests Increase**

OW2508212888 Beijing XINHUA in English  
1525 GMT 25 Aug 88

[Text] Tokyo, August 25 (XINHUA)—The Japanese Defense Agency today announced a 3.927 trillion yen (29 billion dollars) budget request for fiscal 1989, an increase of 6.1 percent over the budget for the current fiscal year ending next March.

The Defense Agency said in a report that the proposed increase would enable it to keep Japan's defense growth commitments in line with its mid-term defense program covering fiscal 1986-1990.

The ceiling on the total amount of defense-related expenditures required for the mid-term program is estimated by the agency at some 18.4 trillion yen at 1985 prices.

The report suggests that the increased funds would enable Japan's Self-Defense Forces to match the technological standards of other nations.

The Defense Agency's budget request comes two days after it released its annual white paper on August 23. The report said Japan must continue to maintain and upgrade its defensive capabilities and forge closer ties with the United States in view of the Soviet Union's increasing military presence in the Far East.

The cabinet of former Prime Minister Takeo Miki decided in 1976 to impose a one-percent ceiling on defense spending, but the restriction was overturned in January of last year by the former cabinet of Prime Minister Yasuhiro Nakasone.

#### **HDT Technology Planned for Film With Japanese**

OW2608120288 Beijing XINHUA in English  
1029 GMT 26 Aug 88

[Text] Tokyo, August 26 (XINHUA)—Japan today urged its motion picture industry to produce a joint Japanese-Chinese film using high-definition-television (HDT) technology.

The request was made by International Trade and Industry Minister Hajime Tamura, when he met Japanese film industry representatives here today.

The ministry also pledged that it would cooperate with China in holding an exhibition of up-to-date HDT equipment and a seminar on HDT technology both scheduled in Beijing within this year, according to ministry officials.

Hdt technology provides higher resolution images than those telecast over conventional TV screens and has been drawing wide interest from China, they added.

### **Southeast Asia & Pacific**

#### **State Councillor Zou Ends Visit to Thailand**

OW2608105188 Beijing XINHUA in English  
0558 GMT 26 Aug 88

[Text] Bangkok, August 26 (XINHUA)—Zou Jiahua, Chinese state councillor and minister of machinery and electronic industry, left here for Singapore this morning after a five-day visit to Thailand.

On behalf of Prime Minister Chatchai Chunhawan, Thai Deputy Prime Minister Phong Sarasin met Zou Jiahua and his party here yesterday. During the meeting, Phong expressed the wish to further promote economic cooperation between Thailand and China.

Zou asked Phong to convey Chinese Premier Li Peng's regards to the new Thai prime minister.

During Zou's visit here, Thai Industry Minister Banha Sinlapa-acha also met him. The two ministers discussed economic cooperation and trade between the two countries as well as cooperation between the two ministries.

Zou and his party also held talks with bankers and businessmen here.

#### **Comments on Thai Economy**

HK2608015388 Beijing ZHONGGUO XINWEN  
SHE in Chinese 1205 GMT 24 Aug 88

[Text] Hong Kong, 24 Aug (ZHONGGUO XINWEN SHE)—According to news from Bangkok, Chinese State Councilor and Minister of the Machine Building and Electronics Industry Zou Jiahua, who is here on a visit, said that Thailand's economy has developed rapidly and that China can use its experience for reference. He stressed that both China and Thailand should increase exchanges in this regard.

Zou Jiahua made these remarks while paying an official call to the Thai Ministry of Industry. An 8-member Chinese Industrial Delegation led by Zou Jiahua was invited to pay a 6-day visit to Thailand starting 21 August.

Zou Jiahua expects that Chinese and Thai officials will have more direct contact in the future. He will send people to Thailand and welcome representatives from Thailand to make direct contacts with China. As China has experience in manufacturing electrical machines, drilling machines, and computers, he said, both sides can strengthen cooperation and exchanges.

Thai Industry Minister Banha Sinlapa-acha said that Thailand badly needs funds and all kinds of machines as it plans to extend its light industry to the interior provinces. He believes that China will offer cooperation in this regard and hopes that China will take part in the exploitation of potassium mines and the production of cane sugar.

#### **Supreme Court President Leaves for Australia**

OW2508132988 Beijing XINHUA in English  
1148 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Ren Jianxin, president of China's Supreme People's Court, and his party left here by air this afternoon to attend the Australian Bicentennial Legal Convention and for a friendly visit to the country at the invitation of the Law Council of Australia.

Ren Jianxin will deliver a speech entitled "Relations Between the Court and the Government in China" at the first plenary session of the convention and speak on China's economic legislation and trials of economic cases at the National Press Club.

**Regional Experts in Bangkok Stress Cooperation**

OW2508230388 Beijing XINHUA in English  
1457 GMT 25 Aug 88

[Text] Bangkok, August 25 (XINHUA)—Economic experts from the Asia-Pacific region here today stressed the importance of regional and subregional cooperation in restructuring developing economies in the region.

The consensus was reached at the end of a three-day "expert group meeting on restructuring the developing economies of Asia and the Pacific in the 1990s."

A report of the meeting issued here this afternoon said that "important areas for regional and subregional cooperation include trade, investment and finance."

"Although there were interesting possibilities for cooperation in relation to the restructuring process, more detailed analysis with a view to suggesting measures for strengthening the linkages among the region's economies was required," it said.

Economic experts from Indonesia, Australia, Bangladesh, China, Japan, Nepal, South Korea, Sri Lanka and Thailand discussed a paper prepared by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

The paper entitled "An Approach to the Study of the Restructuring of the Developing Economies of Asia and the Pacific in the 1990s" has dealt with various aspects in the restructuring of the developing economies.

The issues mentioned in the paper include "Preconditions for Restructuring", "Technological Dimensions", "Regional and Subregional Opportunities", and "Policy Liberalization."

The experts felt that further study is needed to clarify preconditions for the restructuring and the issue of technological dimensions in the restructuring process.

On policy liberalization, the experts suggested that the ESCAP study may focus on some national experience, such as of China, to highlight examples of how liberalization policies have led to the restructuring of the economies.

The meeting organized by ESCAP was to consider the content and substantive issues to be taken up and to recommend study on restructuring developing economies in the region, which would serve as the theme topic for next year's ESCAP annual meeting.

ESCAP is expected to revise the paper, taking into consideration of the expert meeting's recommendations.

**Near East & South Asia**

**Economic Delegation Meets With Iran's Mirzadeh**

LD2508094288 Tehran IRNA in English 0621 GMT  
25 Aug 88

["China To Cooperate in Post-War Reconstruction"—IRNA headline]

[Text] Tehran, Aug. 25, IRNA—A Chinese economic delegation currently here met with Deputy Prime Minister for Executive Affairs and the Iranian head of the Tehran-Beijing Economic Commission Hamid Mirzadeh here Wednesday afternoon.

Mutual cooperation in world market were discussed and the Chinese delegation expressed interest in further expansion of cooperation in the fields of mines, energy, industries and livestock breeding.

Mirzadeh expressed the hope that the forthcoming fourth session of joint economic commission in Beijing will further consolidate bilateral relations.

Mirzadeh told the Chinese delegation which arrived here last Thursday that in the light of existing economic and industrial potentials, Iran could expand its relations with friendly countries. He stressed that China could play a major role in this respect.

A member of the Chinese delegation Dr. Zhu Jianing who has visited several Iranian industries praised management of these units and steps taken for economic independence. He said undoubtedly the Iranian people will be able to reconstruct their country in a short period of time and turn it into a major industrial power in the near future.

**Iraq Celebrates 30 Years of Cooperation**

OW2608012688 Beijing XINHUA in English  
0015 GMT 26 Aug 88

[Text] Baghdad, August 25 (XINHUA)—The Iraqi Association of Friendship, Peace and Solidarity held here this evening a meeting to celebrate the 30th anniversary of establishing diplomatic relations between Iraq and China. Speaking at the meeting, chairman of the association Isa Salman praised the development of relations between the two countries and their keenness to boost such relations for the benefit of the two peoples.

Chinese Ambassador to Iraq Zheng Jianying stressed in his speech China's desire to develop and boost cooperation between the two countries in all fields.

At the celebration meeting attended by 150 people, Iraqi artists played folk music and a Chinese film on acrobatic plays was performed.



The Chinese ambassador also gave a reception Wednesday night on the occasion of the 30th anniversary of establishing diplomatic relations between Iraq and China.

**Beijing Communique With Qatar Issued**  
*OW2608113888 Beijing XINHUA in English*  
1116 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—China and Qatar, which established diplomatic relations July 9, expressed their willingness today to further develop their friendly relations and cooperation on the basis of the five principles of peaceful coexistence.

In a joint press communique on a China visit between August 23 and 26 by Qatar Vice-Foreign Minister Shaykh Hamad ibn Suhaym Al Thani, the two countries agreed to further their cooperation and relations in the fields of economy, culture and sports as well as exchanges between the two countries' young people.

The communique says, the two sides agreed to set up their embassies in Beijing and Doha.

Concerning international issues, the two sides held that to settle regional conflicts through peaceful negotiations has become a trend now. They expressed welcome to the positive measures taken by Iran and Iraq to end the war and implement the 598 Resolution of the United Nations Security Council.

The resolution reflected the international community's desire to seek a just, lasting, decent and peaceful solution for Iran and Iraq, the communique says.

It stressed that the key factors of a peaceful settlement of the Middle East issue should include Israel's complete withdrawal from Arab territories and its recognition of the legitimate national rights of the Palestinian people.

The rights include the right to self-determination and right for the Palestinian people to establish an independent country in their own territory under the leadership of the Palestine Liberation Organization (PLO)—their only legitimate representative.

Both sides support the convening of an international conference, under the U.N. Sponsorship, and attended by all parties involved in the conflict and the five permanent member states of the U.N. Security Council, with the PLO participating on an equal footing with other sides, the communique says.

**Bangladesh's Chowdhury on Bilateral Ties**  
*BK2508155788 Beijing International Service*  
in Bengali 1500 GMT 24 Aug 88

[Interview with Bangladesh Foreign Minister Humayun Rashid Chowdhury by unidentified Radio Beijing correspondent—recorded]

[Text] [Begin recording] [Correspondent] Mr Foreign Minister, the relations between China and Bangladesh have speedily developed in the past few years. Your current visit has also greatly helped in the development of relations between our two countries. Would you please say a few words about the possibility of further growth of friendship between China and Bangladesh?

[Chowdhury] There are age-old relations between the peoples of China and Bangladesh. After the establishment of diplomatic relations between the two countries, these relations have further strengthened and developed speedily. The relations between China and Bangladesh are not only close, but, I believe, have also been elevated to a special level.

The exchange of visits at the highest and other levels between the two countries has become a regular affair. For instance, in the recent past, in 1987 Bangladesh President Hussain Mohammad Ershad visited China, and in 1986 then Chinese President Li Xiannian visited Bangladesh. Besides this, a large number of exchanges of visits at the ministerial and other levels have taken place between the two countries. I believe those visits have further helped bring the ties between the two countries closer together.

As a result of these regular contacts between the two countries, China and Bangladesh express similar views on almost all regional and international issues, and they always closely cooperate in international forums. Both countries believe that regional and international peace and stability are essential for economic and overall progress of people. The relations between the two countries are also very close in trade and economic fields, and they are growing constantly.

Many projects undertaken with Chinese cooperation have either been completed or are in the process of completion in Bangladesh. The most notable among them include fertilizers plants, textile plants, bridges, power production, and water conservation. The relations between the two countries have expanded not only in the fields of economy and trade, but also in the fields of culture, education, sports, science and technology, and so forth.

I believe that the Sino-Bangladesh Friendship Bridge built in Bangladesh with Chinese help and the Sino-Bangladesh Friendship Primary School managed jointly by both countries in Beijing will remain as a bright and permanent symbol of the relationship between the two countries.

We have currently noticed with pleasure that China has made exceptionally excellent progress in various spheres, especially in the economic and technological fields, by striding on the path shown by its competent leaders.

I hope that Sino-Bangladesh cooperation will further strengthen and expand in the future; that Bangladesh will also enjoy the fruits of China's future economic and technological development; and that this cooperation will become a successful example of South-South cooperation.

[Correspondent] I sincerely thank you for giving us this interview. [end recording]

**PLO Plans for an Independent State Discussed**  
*HK2608050588 Beijing RENMIN RIBAO in Chinese*  
*19 Aug 88 p 6*

["Newsletter From Egypt" by RENMIN RIBAO reporter Lin Jiaoming (2651 4109 2494): "Statehood for Peace"—Circumstances Related to the Ideas of Founding a Palestinian State"]

[Text] *Cauro*, 16 Aug.—The severance of relations between Jordan and the West Bank has many consequences. The most direct one is that it has pushed the problem of establishing a Palestinian state to the forefront. Looking at the results of the urgent meetings of the PLO leadership in Baghdad and the recent talks between them and Jordan, it is obvious that the proclamation of a Palestinian state based on the United Nations' "Partition Plan" in 1948 is imminent. This will be a major turning point in the 40-year Middle East conflict and will have far-reaching consequences.

In recent days, PLO officials have formally announced several times that Chairman Yasir 'Arafat will proclaim the establishment of an independent Palestinian state at the European Parliament to be convened in mid-September. There have been many disclosures on the framework for this independent state, of which the major points are: To establish an independent Palestinian state based on the No 181 "Partition Plan" passed by the UN in 1948, with Jerusalem as its capital and Israel its neighboring country; to establish a provisional government with PLO Chairman 'Arafat the chief-of-state, which will consist of PLO Executive Committee Members and various factions' leaders to take care of national affairs inside and outside the occupied territories; to delimit the border of the Palestinian state within the territory allocated by the UN's "Partition Plan," which includes the West Bank of Jordan and the Gaza Strip; to prepare for the establishment of administrative organs in the occupied territories to administer civil administration affairs such as judiciary, administration, public order, media, public health and education, and establish a legislative body. This was said to be the PLO's long-term plan for the new Palestinian state. Once this blueprint is put into practice, the "self-determination right" of the Palestinian people can be achieved.

A senior aide to Chairman 'Arafat said recently that the aim of establishing a Palestinian state was to build up "statehood for peace," which implies the recognition of Israel's status and aim of living peacefully with it. It was reported that the Palestinian Provisional Government will organize a special delegation consisting of people inside and outside the occupied territories for direct talks with the Israeli Government. Matters to be discussed are: The definition of the borders of Israel and Palestine; the political unity and ties between the West Bank of Jordan in Palestine and the Gaza Strip; the solution to the problem of Israeli settlement within Palestine; and the solution to the return of Palestinian refugees and repatriation problems; safeguarding the basic standard of living for Palestinians, mainly related to the allocation of water from the River Jordan.

It was reported that the PLO has made comprehensive considerations before planning the proclamation of the birth of an independent Palestinian state. According to Arab media analysis, the anti-Israel struggle of the Palestinian people within the occupied territories has lasted for 8 and a 1/2 months; and it is obvious that the local situation in the West Bank and the Gaza Strip is favorable to the Palestinian people. Though Jordan's severing of ties with the West Bank really surprised the PLO, it actually impelled them to decide on establishing the provisional government earlier than expected. This action will "fill the vacuum" to prevent Israel from taking the opportunity of new nibbling actions. Taking the opportunity of the Iran and Iraq ceasefire, when international attention is now focusing on Middle East problems, the PLO intends to highlight their urgent need for a new Palestinian state. They also plan to fight for the status of an independent state at the coming International Conference for Peace in the Middle East in order to safeguard their equality and legal rights. In addition, the PLO wants to have the new Palestinian state established before the national elections in Israel are held in order to put pressure and influence on different factions in Israel. Senior officials in the PLO also admitted that the trend is impelling them to decide on establishing an independent Palestinian state, otherwise, the PLO will "lose the opportunity" and "lose their Palestinian brothers within the occupied territories."

It was reported that the PLO is working in full swing for the final proclamation of the establishment of the Palestinian state. PLO delegates in various countries are trying to see whether the new state will gain international recognition or not. It is expected that those countries which now recognize the PLO will accept the new state in principle. The Arab countries, with the exception of only a few, will unanimously recognize the new Palestinian state.

People think that Israel's firm opposition to the establishment of a Palestinian state is not surprising. Israeli Prime Minister Yitzhak Shamir threatened to prevent and attack any such intention with "iron fists", at the emergency session of parliament. People can see from

Shamir's speech that the Israeli Government is nervous and disturbed by the issue. There are many different ideas about the internal response of Israel to King Hussein's proclamation to break off relations with the West Bank. It is noteworthy that some members of parliament are changing their "security concept." Their concept of "occupying land for security" is vacillating now missiles are widely used. After the cease-fire in the Iraq-Iran War, the Israeli authorities are worried about the change of proportion between the Arab and Israeli powers. How can they protect themselves? Sources said that certain leaders are considering "the exchange of part of the West Bank territories and Gaza for peace," though the platforms of both the Likud Party and the Labor Party are against the establishment of an independent Palestine state.

A spokesman from the U.S. State Department reiterated on 8 August, that the U.S. Government is against both the establishment of an independent Palestinian state and the Israeli annexation of the occupied territories, and that the ultimate ownership of the occupied territories should be resolved through discussion. It is unrealistic to expect the United States to give new explanations and decisions on her Middle East policy when she is busy preparing for the presidential election. What people are concerned with is whether the "painful choice" of King Hussein can force the United States to make some sort of painful choice. This should only be a matter of time. It is widely believed that after Jordan severed her relations with the West Bank, there is less room for the United States to make changes in its Middle East policy.

Observers here think that if different factions and organizations can reach a consistent agreement in a easier way at the Palestinian National Council to be held next month, it will be a step forward for the PLO to establish a Palestinian state. No matter what action the United States and Israel take, the Middle East will inevitably be affected by the new situation.

### Sub-Saharan Africa

#### Premier Li Peng Hails UN Namibia Day

OW2508180788 Beijing XINHUA in English  
1544 GMT 25 Aug 88

[Text] Beijing, August 26 (XINHUA)—Chinese Premier Li Peng today telegraphed the president of the U.N. Council for Namibia, saying that the Namibians are sure to achieve their national independence.

In the telegram commemorating the U.N. "Namibia Day," Li said the U.N. Council "has made sustained efforts and played a positive role in striving for the legitimate national rights of the Namibia people."

The council, headed by President Peter Zuze, "wins worldwide acclaim" for its efforts in "mobilizing the world's people to oppose the illegal occupation of Namibia by the South Africa regime," and in "supporting the Namibian people in their just struggle for national independence at an early date," Li said.

China "consistently supports the just struggles of the South African people against apartheid, of the Namibian people for national independence, and of the countries and peoples in southern Africa for the safeguarding of their state sovereignty and security," Li ensures President Zuze.

On a political settlement of the conflicts in southwestern Africa, Li hopes that the "parties concerned will continue their efforts and achieve positive results in their negotiations, so as to find a just and reasonable solution to the Namibian issue, and to achieve peace and stability in southwestern Africa."

The Chinese people strongly demand, therefore, that the South African authorities effectively implement U.N. Security Council Resolution 435 on the issue of independence for Namibia, Li said.

### West Europe

#### Luxembourg Parliamentarians Continue Visit

##### Meet Wu Xueqian

OW2508134088 Beijing XINHUA in English  
1114 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Chinese Vice-Premier Wu Xueqian met here today with a delegation of the Chamber of Deputies of Luxembourg headed by President Leon Bolendorff.

During the meeting, Wu answered questions raised by Bolendorff about China's positions on a number of domestic and international issues.

##### Banquet Held, Wan Li Speaks

OW2508134888 Beijing XINHUA in English  
1101 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—All countries, whether big or small, may contribute to world peace and development, said Wan Li, chairman of the Standing Committee of the Chinese National People's Congress (NPC), addressing a banquet here today in honor of a delegation from the Chamber of Deputies of Luxembourg.

Leon Bolendorff, head of the delegation and president of the chamber, said that like China, Luxembourg is also very concerned about world peace and development.



The banquet was held at the Great Hall of the People. Wan Li praised Luxembourg, which has a population of only 400,000, for its positive role in promoting the unity of Western Europe, the prosperity and development of the European Community and in striving to open relations with Third World countries.

He said China pays great attention to the development of long-term, steady, equal and mutually beneficial relations of cooperation with the European Community and the western European countries in all aspects.

Wan noted that along with the process of the implementation of reforms and open-door policy, China's economic relations of cooperation with Luxembourg and other countries will surely be strengthened and expanded.

Bolendorff spoke highly of China's efforts in carrying out political and economic reforms. A prosperous China, he said, is a basic factor in world stability.

He expressed his satisfaction over the fruitful exchanges between Luxembourg and China since the two countries established diplomatic relations 20 years ago. Luxembourg, he said, would forge ahead on the road of friendship and cooperation between the two countries.

Before the banquet, Wan Li met with the guests from Luxembourg.

Liao Hansheng, vice-chairman of the NPC Standing Committee, was present at the meeting and the banquet.

Prior to the meeting, Liao Hansheng held talks with the delegation, exchanging views on further strengthening cooperation between the two parliaments, and the political and economic cooperation between the two countries.

**Sino-French Educational Exchanges Fruitful**  
*OW2608092788 Beijing XINHUA in English*  
0751 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Nearly 4,000 Chinese went to study in France between 1973 and 1987, and among them, 1,500 have completed their studies and returned to China including 150 who gained their Ph.D.s in the country, according to the State Education Commission here today.

There are still more than 2,000 Chinese students and scholars in France who have been sent by the government or are studying at their own expense.

Guo Benyu, president of Shanghai University of Science and Technology, is one of the scholars who were sent by the government to study in France and returned to become leaders of China's education and research institutions.

He was sent to France in 1973. Among those who completed their studies and returned to China is Wang Chongming of Huangzhou University, who gained his Ph.D. in France. Li Daqian, one of China's leading mathematicians, also returned after studying in France. Shen Jun was invited to take over as dean by the Nanjing Engineering Institute as soon as he returned from France as a Ph.D.

An official from the State Education Commission told XINHUA that France was the first European country that China sent its students to after the "Cultural Revolution" (1966-76). Since 1973, when China sent ten language students there, more and more students and scholars have been sent to study in France.

The Chinese Government also sent educational missions to France. Some 48 missions of this kind visited France during the period 1979 to 1987. Exchanges were also conducted in the fields of research and teaching between 30 of China's universities and institutes, and 50 French schools of higher learning.

One of the most interesting programs is the cooperation between the French Government and China's Wuhan University. The university has taken French as its first foreign language and, financed by the French Government, set up a research center of French affairs. The center will publish a magazine, a book series entitled "Today's France," and to offer advanced diploma studies in French literature. Its mathematics center, established with the help of France, has opened preliminary courses.

The official said that France has also sent more than 750 people to study in China since 1973. And since 1979 France has sent a total of 52 educational missions to China. In recent years, China has offered summer vacation Chinese-language training courses to more than 400 French people, and since the mid-1970s there has been a constant exchange of language teachers between the two countries.

**Reception Marks Copenhagen-Beijing Flight**  
*OW2608030988 Beijing XINHUA in English*  
1405 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—A reception was held here tonight in celebration of the inaugural flight from Copenhagen to Beijing of the Scandinavian Airlines System (SAS).

The eight-hour flight took place Tuesday with 55 passengers aboard.

SAS Vice-Chairman Christer Vickman and President Xu Bailing of Air China proposed toasts at the reception, describing the flight as having spanned a "bridge" between China and Denmark, Norway and Sweden which jointly own SAS.

China, meanwhile, has also opened an air route from Beijing to Stockholm today.

### East Europe

**CSSR's Jakes Receives Youth League Leader**  
*OW2608045588 Beijing XINHUA in English*  
*0147 GMT 26 Aug 88*

[Text] Prague, August 25 (XINHUA)—General Secretary of the Czechoslovak Party Central Committee, Milos Jakes, said here today that every country should learn from the good experience of other nations in reform, while giving due attention to its own conditions.

He said this while meeting with Song Defu, head of the visiting Chinese Youth League delegation and first secretary of the league's Central Committee here this morning.

Recalling his visit to China not long ago, Jakes said that the experience was significant and pleasant, and that it left deep impressions on him.

He said his talks with Chinese leaders, along with what he had seen with his own eyes, all show that great changes have taken place in China over the past three decades, since first he came to China in the 1950s.

He believed that both countries have the same goals and face the same problems. Qualified young people, he added, must be trained for realizing these goals.

He was happy about the development of relations between the league organizations of the two countries, and hoped that such relations would develop further.

**CPPCC Delegation Leaves for Hungary**  
*OW2508133088 Beijing XINHUA in English*  
*1156 GMT 25 Aug 88*

[Text] Beijing, August 25 (XINHUA)—A delegation of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) led by its Vice-Chairman Yang Jingren left here today on a study tour of Hungary.

The delegation was invited by the Hungarian Patriotic People's Front.

### Latin America & Caribbean

**Uruguayan Independence Day Marked in Beijing**  
*OW2508085688 Beijing XINHUA in English*  
*06744 GMT 25 Aug 88*

[Text] Beijing, August 25 (XINHUA)—The charge d'affaires a.i. of Uruguay Juillermo Valles Jalmes held a reception here this noon today to mark the Independence Day of Uruguay.

Wu Wenying, minister of textile industry, was present on the occasion.

**NPC Standing Committee To Meet 29 Aug-3 Sep**  
*OW2608083188 Beijing XINHUA in English*  
0816 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—The third meeting of the Standing Committee of the Seventh National People's Congress (NPC) will be convened from August 29 through September 3 to deliberate on eight laws and listen to reports on social order and the protection of cultural relics.

This was announced today by Zhang Husheng, spokesman for the General Office of the NPC, at a news briefing attended by Chinese and foreign journalists.

He said that the Third Meeting of the NPC Standing Committee will continue to deliberate the Draft State Secrets Law and the Draft Regulations on Active Service of Army Officers; and start deliberations on the Draft Standardization Law and Draft Wildlife Law, and revise the Land-Use Law.

The meeting will also deliberate and approve the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the No. 2 and No. 3 protocols attached to the South Pacific Nuclear-Free Zone Treaty and the Agreement on Neutral Judicial Assistance in Civil Cases Between the Kingdom of Belgium and the People's Republic of China.

At present, Zhang said, social order has become a matter of wide concern to the Chinese people. The meeting will hear a report on social order given by Wang Fang, state councillor and minister of public security, and a report by Culture Minister Wang Meng on the protection of cultural relics.

The meeting will also hear a report given by the NPC Credentials Committee on the examination of the credentials of deputies elected to the Seventh National People's Congress, and deliberate on a draft list of names of the members of the Committee for the Drafting of the Basic Law of the Macao Special Administrative Region.

In addition, it will hear a report on the visit of an NPC delegation to the Democratic People's Republic of Korea and decide on certain appointments and removals.

**Persistent Official Profiteering Corrupts Society**  
*HK2608051988 Beijing ZHONGGUO XINWEN SHE*  
in Chinese 0543 GMT 24 Aug 88

[Report: "On the Mainland, There Is Still 'Official Profiteering' Despite Government Ban"]

[Text] Beijing, 24 Aug (ZHONGGUO XINWEN SHE)—On the mainland, those who engage in business using their power, especially in illegal buying and selling, are dubbed "government office-backed speculators." The CPC, which has displayed tremendous daring and

resolution recently in carrying out reform, seems to be powerless against the phenomenon of "profiteering in an official way," currently occurring in party institutions.

Today's JINGJI RIBAO provided these figures: The first "business fad" following the "Great Cultural Revolution" occurred in 1985 and the number of corporations of various types all over the country totaled about 320,000, of which most were briefcase companies without personnel, funds, equipment and even fixed addresses and engaged mainly in speculation.

Through 18 months of cleaning-up and consolidation, the number of such corporations was reduced to 170,000 in 1986.

The second business fad took place between 1987 and June 1988 and the number of corporations of every description increased to 400,000, of which most were run by the government and ministries and commissions under the State Council, which alone operated at least 700 companies.

In Chinese history, "being an official and making a fortune" have always been linked together. The current phenomenon of "profiteering in an official way" in society has gone even further than past cases.

Government office-backed, profiteering-oriented corporations have reached their hands into the circulation field, making prices fluctuate as they please. Using the power in their hands, with a telephone call and an approval notice, they can trade short supplies of sought after commodities without taking them out of depositories. In Guangdong, the combination of officialdom and the market is summarized this way: Notices (all sorts of approval notices and documents) plus money (used as bribes) plus considerations of face (human relationship and connections) equals the secret of business success.

"Official profiteering" has corrupted society. Ministries and commissions under the State Council let their subordinate departments, bureaus, sections, and offices operate under the name of corporations to "engage in profiteering" and thus provinces, prefectures, cities, and counties followed suit. Those who do not engage in business but have power in their hands can also "profit by using their power and position." To get a passport, you have to pay them 100 yuan and to get a business license, you have to pay them 1,000 yuan and contribute 10 percent of your profits to them every year after you start business. Hence, there are such practices as eating and drinking, holding excessive numbers of meetings, asking for kickbacks or bribes, and blackmailing.

Interested people have provided some propositions to cope with these phenomena, arguing that all party and government cadres honeymooning or holding a post in corporations should make a clear demarcation line between officials and businessmen; pension for retired cadres who hold a post in corporations should be cut off;

macroeconomic regulation and control should be strengthened; necessary laws and regulations enacted, such as "a company law," and "an anti-monopoly law," and in this connection, what counts is to enforce laws strictly. Meanwhile, the problem of supervisory departments at all levels being relatively institutionally independent should be solved.

To counter these phenomena, the CPC has repeatedly issued documents strictly banning party and government cadres from engaging in business but so far "the defying of prohibitions have not yet ceased."

**XINHUA Commentary Favors Appeals System**  
*OW2608012088 Beijing XINHUA in English*  
1421 GMT 25 Aug 88

[\*Commentary: China Needs To Further Improve Appeals System"—XINHUA headline]

[Text] Beijing, August 25 (XINHUA)—China has been making great efforts to establish a system of people's appeals in recent years to guarantee the citizens' rights of accusation, appeal and reporting of suspected offenses to authorities.

The issue of establishing a people's appeals system was raised as a major measure China should take to institutionalize democracy in grass-roots units by Chinese Communist Party General Secretary Zhao Ziyang at the party's 13th national congress last autumn.

Zhao said in his report to the congress that establishment of the appeals system and enactment of other related laws are aimed at "guaranteeing the citizens' rights and freedoms as stipulated by the Constitution," while "putting an end to abuses of those rights and freedoms."

Following the setting up of the Central Commission for Discipline Inspection in 1978 to strengthen the democratic supervision inside the party, a new Ministry of Supervision was added under the State Council last year to carry out supervision of the administration. The ministry receives corruption reports and appeals.

Special courts and procuratorates have also been founded under the Supreme People's Court and the Supreme People's Procuratorate to deal with various types of accusations and appeals.

The institution of such departments has played an important role in improving the people's appeal system and protecting citizens' rights, including that of appeal.

It is learnt that in the past few years courts at different levels all over the country have dealt annually with more than nine million cases of charge or appeal, of which over 200,000 were dealt with by the Supreme Court and some one million by procuratorates. The Central Commission for Discipline Inspection also handled at least 200,000 cases each year.

However, officials from departments concerned have complained that there are many difficulties in handling such cases, since there are no hard-and-fast rules governing appeals.

A sample survey shows that more than [word indistinct] 100,000 appeal cases the Supreme procuratorate handles each year consist of unwarranted accusations and groundless charges.

Some jurists say that these problems will not be completely settled until the appeals system has been improved and perfected. A new law or regulations on appeals should be worked out as soon as possible.

**Official Vows To Protect Satellite Secrets**  
*HK2608123388 Beijing CEI Database in English*  
26 Aug 88

[Text] Beijing (CEI)—The technological secrets of foreign satellites is safe when on Chinese territory, said Lin Zongtang, minister of aeronautics and astronautics industry.

Speaking to reporters on August 22, the minister said the entry of foreign satellites into China is of a transit nature. To the satellite producing country, it is neither a matter of export nor technology transfer. The satellites made in the U.S. or in other countries but with U.S. technology patent will be free from customs examinations when entering China for launching with the "Long March" carrier rockets, the minister said.

The official noted that China will never probe into the technology secrets of those satellites and their related equipments when handling the transportation, storage, testing and launching, the whole process of which is under the supervision and control of the satellites' owners.

He also refuted the rumour that the low price of China's foreign satellite launching service is due to "government subsidies" and this posed a threat to rocket companies in the West. He pointed out that the corporation is responsible for its own profits or losses and enjoys no government subsidies. Instead it is obligated to pay taxes.

Lin pointed out that the corporation, a foreign trade enterprise affiliated to the Chinese Ministry of Aeronautics and Astronautics Industry is a legal entity registered according to the law of the country. It is entitled to do the business of foreign satellites launching.

He said that China's service of satellite launching is but a supplement to the world satellite launching market and a new choice offered to the user.



**Li Tieying Addresses College Sports Meet**

OW2608060388 Beijing Television Service  
in Mandarin 1335 GMT 25 Aug 88

[From special video report on the opening of the Third National College Students Athletic Meet; speech by Li Tieying, member of the Political Bureau of the CPC Central Committee, state councillor, minister in charge of the State Education Commission, and chairman of the Presidium of the Third National College Students Athletic Meet of the People's Republic of China, at the opening ceremony of the Third National College Students Athletic Meet in Nanjing on 25 August 1988—recorded; video shows Li reading speech from prepared script]

[Text] Students and comrades:

The Third National College Students Athletic Meet has opened. As a grand review of the sports level of our college students, it surely will effectively promote the physical culture in our institutions of higher education. It will also promote the development of college students morally, intellectually, and physically and help them become outstanding builders of the socialist cause with a strong physique. On behalf of the CPC Central Committee and the State Council, I extend my warm greetings to the meet and give my cordial regards to all athletes, coaches, referees and staff members. [applause]

The next 50 years or so will be a great period in which the people in our country will strive to accomplish the four modernizations and revitalize China. In this period, the young people will be the main force to carry forward the cause pioneered by our predecessors and to forge ahead into the future and do other difficult pioneering work. College students have a heavy responsibility on their shoulders. The party and the people expect you to become the pillars of the state in the 21st century and to take on the mission of national development and prosperity. This will require you to have moral integrity, profound scientific and general knowledge, strong physique, and abundant energy and to stay healthy to work hard for the motherland in the coming decades. I hope that you students will have great enthusiasm in participating in sports activities, build up your physical strength and willpower, and be prepared to bear heavy responsibilities.

Physical culture can embody the spirit and features of a nation. The development of physical culture can improve the people's physique and play a great role in uniting and inspiring the people. The physical culture work in schools is an important part of the physical culture undertakings of the nation. All schools should implement this educational principle in an all-round way, attach importance to physical culture work, and strive to become a model in promoting mass sports activities. We should constantly raise the level of physical culture and sports in institutions of higher learning,

pay attention to discovering and training a large number of outstanding athletes, and contribute to turning China into a sports power. [applause]

Students and comrades, the competition will soon begin. I hope that all athletes will strive to achieve excellent results in accordance with the demands for unity, competition, courtesy, and scientific approach and in the spirit of daring to win. I wish the Third National College Students Athletic Meet great success! [applause]

**Paradoxes in Contemporary Chinese Culture Viewed**

HK2608070188 Beijing RENMIN RiBAO in Chinese  
22 Aug 88 p 5

[Article by Yu Wujin (0205 0710 6855): "Several Paradoxes in Contemporary Chinese Culture"]

[Text] Pushed by the economic and political structural reforms, China's contemporary culture is also undergoing a painful process of structural changes. Various schools of thought and different opinions mingle and clash with each other. The old and new ideas and concepts also mingle and clash causing people to feel at a loss. Such feelings are a sign that the old cultural standards have become bogged down in a crisis, and also indicate that new cultural standards will emerge. In the course of such cultural changes we should pay special attention to studying the following paradoxes:

The first paradox is that as in traditional culture, the core of China's contemporary culture is the humanistic spirit; however, it is precisely in this culture that there is no position for individuals.

How should we view this paradox? To analyze this from the philosophic angle it is to do with the relationship between the whole and the individual. Here, by "individual," we mean an individual person and his or her independent personality; by "whole," we mean a large group of people, such as a clan, a unit, or a state, to which the individual belongs. Although traditional culture talks about man everywhere, what it really attaches importance to is not the individual people but the groups to which the individual belongs, especially the interests of the state. The whole is regarded as sacred and paramount, but the individual is regarded as humble and negligible.

Such overwhelming superiority of the whole over the individual, or the unconditional subordination of the individual to the whole, forms the essential characteristic of China's traditional culture. This characteristic also exists in China's contemporary culture and is a unique feature of the humanistic spirit in contemporary culture.

The first manifestation: In the selection of external cultures China tended to introduce theories which placed lopsided emphasis on the whole and neglected the

individual. For example, China used to pay more attention to the study of Soviet philosophy which (especially during the Stalin era) espoused the viewpoint that the whole is paramount. On the contrary we ignored, or just criticized and negated in a simplistic way, the theories of British, French, and American thinkers, such as Sartre and Hayek, who placed more stress on people's individuality and individual freedom. Such cultural selection gave expression to the latent tendency in China's contemporary culture in placing lopsided emphasis on the whole and neglecting the individual.

The second manifestation: We used to place lopsided emphasis on the importance of the collective and the masses, and denounced the practice of giving prominence to ordinary individuals as "individualism." In our philosophy textbooks, "individuals" refer to outstanding figures, while ordinary individuals are all included in the concept of the "masses." This means that only outstanding figures can possess independent personality, and ordinary people are just some small segments, elements, or items of the "masses." For a long time people had a misunderstanding of theory. They thought that showing respect for the masses was equivalent to showing respect for individual people. In fact, to a large degree the concept of the masses was merely a symbol of the whole and was separated from individual people. In the past, the themes in some literary and art works were based on stories about outstanding figures in history pleading for the well-being of the public. This precisely reflects the fact that in contemporary Chinese culture the position of individuals (ordinary people) is humble and negligible.

The third manifestation: The phenomenon of "people as property owned by units" still widely existed in China. Corresponding to this phenomenon there is a well-known metaphor likening a person to a "bolt" in a machine. French philosopher Lemaître said that "man is a machine." Although he took a mechanical materialist viewpoint to approach man he still regarded man as a complete machine, or an independent entity. The idea of taking man as a bolt was even more backward and outmoded because a bolt loses all independence and initiative, and must absolutely obey the operation of the whole machine and the paramount interests of the whole. The difficulties in resigning from one's job, various obstacles to the movement of manpower, and the empty form of the appointment system through public advertising all demonstrate the strong control of the whole over the individuals.

With development of the deepening economic structural reform and the socialist commodity economy, the strength of individuals is growing and the self-consciousness of individuals is being awakened. In theory, the discussions on the relationship between state, collective, and individual interests in economic circles demonstrate people's new reflections on the relationship between the whole and the individual under the current historical conditions. We must rebuild the relationship between the whole and the individual with the value, personality,

and independence of individual people being fully respected through further developing the commodity economy and perfecting socialist democracy. Only thus can contemporary Chinese culture be freed from the abovementioned paradox and form a new and real humanistic spirit that is focused on the personality and personal dignity of ordinary individuals, and also gives consideration to collective and state interests to create conditions for the "free development of all individuals" (Karl Marx) in communist society in the future.

The second paradox: In the construction of China's contemporary culture it is not only extremely necessary to develop people's knowledge about science and technology, but it is also imperative to check the spread of scientism.

On the one hand it is necessary to promote the development of science and technology; on the other hand, it is necessary to check the spread of scientism. This is one of the most profound paradoxes that contemporary Chinese culture will inevitably face in its evolution.

As we all know China's traditional culture was based and focused on political and ethical standards, and never set great store by scientific research and technological development. Not until late last century when the Westerners used guns to blast open China's door did the Chinese people begin to realize their backwardness in science and technology. At that time the advocates of the Westernization Movement urged the introduction of Western science and technology. During the "May 4 Movement," the slogans of "science" and "democracy" demonstrated the Chinese people's ardent hope for developing science and technology. Along with the development of science and technology, scientism gradually penetrated Chinese culture. A basic characteristic of scientism is a belief in the possibility and capability of natural science and technology in solving all issues in society. People who believe in scientism will wittingly or unwittingly try to apply the methods and conclusions in natural science to all aspects of the people's social life. In the early 20th century there was a debate about science and metaphysics in China. In this debate Hu Shih and Ting Wen-chiang advocated that science was able to solve all questions concerning people's outlook on life, and their viewpoint showed a scientism tendency. Although the debate did not last for long its influence on China's contemporary culture was profound and far-reaching. Along with the introduction and development of science and technology, scientism has quietly and gradually spread in contemporary Chinese culture.

The first demonstration: Attention is paid only to the facts and not to their significance. Natural science's fundamental mission is to reveal the objective laws that govern the movements in nature. Thus natural science only gives consideration to objective facts and does not care about the significance of their relationship to human beings. Natural science only provides theoretical



foundations for technological development and does not care about the influence of the widespread employment of technology on people's lives and the ecological environment.

The second demonstration: Attention is paid only to material factors and the human factors are neglected. This is the result of the simplistic application of mechanics to social life. For example in philosophical and literary theoretical studies in our country, the theory of reflection, which belongs to mechanical materialism, has deep-rooted influence. This idea only attaches importance to material factors and neglects human factors. It neglects the creative role of human beings in their logical thinking and thinking in images, and neglects the basic role of people's practical activities in gaining knowledge and in literary and art creations. In recent years there has been an upsurge in discussion on issues concerning the subjective initiative of human beings. This was a check and reaction to the scientism trend which only attaches importance to material factors while neglecting human factors.

The third manifestation: In the current drive to build the four modernizations the importance of scientific and technological modernization is exaggerated. In the early period of reform many people held that as long as science and technology were developed as rapidly as possible, all problems would then be solved. This idea obviously showed a scientism tendency. Afterwards, the issue of building spiritual civilization was put forward and more and more people came to realize that modernization, in the final analysis, should be people's modernization. Mere scientific and technological development cannot enhance people's general ethos to a higher realm; instead, it may handicap the all-round development of human nature and people's mentality. In the Soviet Union and some Western countries theorists put forward a new slogan of "technohumanism." Their purpose was to check the spread of scientism in this regard.

In the present conditions in China's contemporary culture the factor of science and technology is still rather weak and needs to be further developed. However, we should also guard against the inroad of scientism. So we need to deeply study the differences between facts and values and between science and life to establish a necessary balance between the scientific and humanistic spirits.

The third paradox: In theory, China's contemporary culture is opposed to pragmatism, but in practice it often tenaciously demonstrates a tendency toward pragmatism.

China's traditional culture always included two conflicting aspects: On the one hand it stressed that truth (as presented by the classics) and virtue are paramount; on the other it stressed that the utility and values in people's minds are paramount. Some ancient scholars used to say that "the classics all serve as footnotes of my theory and

can thus be applied to the world." The proverb "books can give you golden houses and beautiful ladies" more vividly give expression to the pragmatic elements in the traditional culture.

The two conflicting aspects also find dramatic expression in China's contemporary culture. On the one hand contemporary culture is influenced by the notion of placing the classics in a paramount position in traditional culture, and also by dogmatism introduced from the Soviet Union. So it is a common phenomenon that truth is separated from value, and theory is divorced from practice. This is even expressed in the dogmatic attitude which places principles and concepts in a paramount position without considering their utility. This attitude was reflected in the simplistic criticism of Hu Shih's thoughts on pragmatism. The result of the simplistic criticism was sharp antagonism between truth and utility. The critics only cared about whether an idea was true or false or whether it tallied with the objective facts, and not about the idea's utility. This attitude was also reflected in the erroneous opinion of the "two-whatevers." On the other hand there is also a strong tendency toward pragmatism and utilitarianism in China's contemporary culture. The proverb "making the past serve the present, and making foreign things serve China" gives prominence to the utility and value of knowledge. During the "Cultural Revolution" the practical utility of theory was exaggerated to the maximum, and an extreme utilitarian tendency was formed. The distinction between true and false became negligible. Lin Biao advocated "studying theory with the purpose of solving existing problems immediately to achieve immediate results." The "gang of four" launched "criticism of Confucianism." These were all typical cases of the extra-utilitarian attitude.

It must be pointed out that in the development of China's contemporary culture the dogmatic attitude which absolutely separates the truth from its utility gained an upper hand for a long time. During the last 10 years things have changed radically. The concept of the commodity economy is closely linked with such concepts as value and utility. This has also brought about another dangerous tendency of only caring about utility without considering the truth or falsehood of a thing.

The fourth paradox: In the conscious aspect China's contemporary culture has a strong anti-tradition tendency; but in the unconscious aspect it often identifies itself with tradition and unwittingly stands in the position of vindicating traditions.

The theory about people's unconscious, developed by Freud, Jung, and Fromm, tells us that the conscious aspect of a mind, whether the mind of an individual or the ethos of a nation, is not completely identical with its unconscious aspect; instead, the two aspects are often conflicting. Such conflicts are the internal conflicts in the deepest level of a culture.

In every historical period of cultural change there have been thinkers who opposed the traditions. Their thoughts had extensive influence but were finally swallowed by the "black hole" of traditional culture. Almost all anti-tradition thinkers face the following dilemma: They have to oppose the tradition within the framework of the tradition. When they stood to rebel against the tradition in their conscious minds, their unconscious minds remained within the tradition. This is because a person always receives education according to the tradition from his childhood, and the tradition has entered the unconscious realm of his mind before he is able to think independently. Such imperceptible influence by the tradition determines the orientation and boundary of his thinking. Kang You-wei's change from an opponent to a disciple of Confucius was a typical case. Similarly, Hu Shih was a bitter rebel against the tradition, but he could not fight against feudal ethics in some aspects.

The conflicts between the anti-traditional tendency in the conscious aspect and the tendency to vindicate the tradition in the unconscious have found sharp expression in the development of China's contemporary culture.

The first manifestation: The conscious aspect of people's minds during the "Cultural Revolution" was radically opposed to the tradition. This was proved by such slogans as "sweeping away all forces of evil" and "thoroughly breaking with all traditional ideas." However, in the unconscious minds of the people there remained a strong force to maintain the tradition, and this led to a result which was worse than the tradition.

The second manifestation: Today, we are reforming the political and economic structures, developing the socialist commodity economy, and building socialist democratic politics. This will inevitably break with a series of major concepts in the traditional culture. The discussion on "the relationship between China's traditional and contemporary culture" has attracted attention from so many people because this represents the voice of the times. Obviously the people have soberly realized this in the conscious aspect of their minds, but it is never easy to free their unconscious minds from the influence of traditional concepts and notions. Even though people can consciously criticize the traditional culture in theory, they will still wittingly or unwittingly identify themselves with tradition in the unconscious aspect of their minds. In some cases, creations became imitations, and reforms ended up with compromises between the new and the old. An important reason was the interference of the unconscious.

The third manifestation: People now have a strong interest in the thoughts of some modern Confucian scholars (such as Xiong Shili, Liang Shuming, Feng Youlan, and Mou Zongsan). Although they absorbed the new achievements of Western philosophical and scientific research, these scholars mainly inherited the tradition left over from the philosophical schools during the

Song and Ming Dynasties. People's interest in the thoughts of these modern scholars also indicates a tenacious tendency to identify themselves with the tradition in their unconscious minds.

We will inevitably face the predicament of opposing the tradition within the tradition. In these circumstances, in order to radically break through the influence of the traditional culture and form a new pattern of socialist culture through all-round reforms, we must seriously examine those things we tend to take for granted and place in the unconscious part of our minds. These include the traditional philosophical viewpoints, and viewpoints on social formation, time and space, logic, and language. Only by consciously realizing things in the unconscious of our minds can we really eliminate the influence of the traditional culture and lay a solid theoretical foundation for the new socialist culture.

**Commission Issues Code of Conduct for Students**  
*OW2508231588 Beijing XINHUA in English*  
1459 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—The State Education Commission, China's highest education authority, has issued draft codes of conduct for primary and middle-school students.

The draft codes require students to show good manners, be friendly toward others, observe rules and discipline, work hard at their lessons, and respect their teachers and elders.

An official from the State Education Commission said here today that the purpose is to engender in children decent and responsible behavior for later life.

The State Education Commission has written a public letter to all parents of primary and middle school students to ask them to coordinate with teachers to implement the codes.

**Economic Structural Reform Strategy Discussed**  
*HK2608051188 Beijing RENMIN RIBAO in Chinese*  
19 Aug 88 p 5

[Article by Liu Guoguang (0491 0948 0342): "Theoretical Questions on Selecting Strategy for Economic Structural Reform"]

[Text] The theory of economic structural reform has to study two questions: First, what to reform and what direction should the reform take? Second, how to reform and what path should the reform follow? The former involves the choosing of the strategic targets of reform, while the latter involves the choosing of strategy for the course of reform. The following lines will briefly talk about three questions concerning the latter aspect.

### Questions Concerning the Economic Environment for Reform [subhead]

In the early several years of reform, Chinese economists in general agreed with this viewpoint: Reform needs a rather easy economic environment. That means an environment under which aggregate supply slightly exceeds the aggregate demand of a constrained buyers' market, a sense of reform pressure is given to enterprises, the role of market competitive mechanism is being enhanced, and there must be an adequate financial and material reserve to support the reform. In the early 1980's, the relationship between economic readjustment and economic reform was correctly handled in accordance with this viewpoint, and economic reform and economic development were promoted. Since 1984 when the economy became too heated, another viewpoint has emerged. This viewpoint holds that an easy economic environment cannot be the prerequisite of reform but is the result of reform. It is because shortage is an inherent characteristic of the old system, reform can only be implemented under the tight situation that supply falls short of demand; while the structural factors leading to the shortage will be removed through reform. Some economists even pointed out that China is entering a new stage of high speed growth, which is centering on structural changes, and in which China is transforming from a low-income country into a middle-income country. In this stage, people's consumption pattern will change from that centering on food and cloth consumption to one which allows people to have plenty of choices, and large volume of rural labor force will transfer from agriculture to non-agricultural industry. Thus, individuals' income and the amount of consumption will inevitably increase rapidly. After some 30 years of construction, China has entered a stage in which its fixed assets are being renovated; and it is an inevitable phenomenon of this stage that the amount of investment will increase at an accelerated rate. Therefore, it is the inherent requirement of China's high speed economic growth period that the growth of aggregate demand should be faster than that of aggregate supply. Besides, economic structural reform itself implies a readjustment in the benefit relations among various aspects, this will also require the economy to have substantial growth. Therefore, they oppose the artificial suppression of investment and consumption demand, and maintain that the policy of controlling aggregate demand cannot meet the requirements of China's current economic development and reform.

Judging from the real situation, China's economic reform has really been implemented under the condition that its economic environment is not an easy one. We cannot wait until the emergence of an overall easy environment and then start with the reform. However, in view of another aspect, since 1984 when the economy has become too heated, because the determination to and the force applied in renovating the economic environment were not strong enough, the phenomena of a heated economy emerged again and again. Under the

situation of a tight economy, some important key reforms, in particular price reform, could not be launched several years ago. For instance, due to a tight macroeconomic situation, the coordinated reform of the price, tax, finance, and monetary systems, which is centering on reforming the price of the means of production and was originally planned to be implemented in 1987, could not be launched. Large-scale economic readjustment was repeatedly implemented under the situation that the economy was not stable. As a result, economic reform suffered retreats and became a protracted matter.

The practice of the last several years tells us that economic development and economic reform should be coordinated. Acute fluctuations in the course of economic development will often lead to setbacks in economic reform. Once a serious imbalance between aggregate demand and aggregate supply, and a serious imbalance in the structure of aggregate demand and aggregate supply emerge, the effectiveness of using the market mechanism, through implementation of reform, to optimize resource allocation will be weakened. Besides, the pressure of inflation will press people to intensify the use of administrative means to control economic life. Economic reform will thus be at a standstill or go backward. Due to the inertial influence of the old system and the existence of many un-defined factors, we cannot expect a comprehensively stable and easy environment to emerge. However, we cannot, because of this, give up our efforts to create a relatively easy environment for reform. Apart from gradually removing the structural factors leading to demand expansion through reform, we should also, in the aspect of employing economic development strategies and principles, adopt sensible policies and measures which have restraining growth targets to control the expansion of investment and consumption demand. These measures will reduce the scope of, and strive for the elimination of, aggregate demand that exceeds aggregate supply, and create a better environment for reform. If the grasping of such understanding, and such efforts are being relaxed (for instance, if we replace the saying that "good economic environment should be created for reform" by the saying that "reform can only be implemented under a tight situation"), we will then open a convenient door for inflationary policy. A regretful thing is that over the recent several years this door has been silently opened, and the extent to which this door is opened has become larger and larger. As a result, up until now and in the theoretical and practical aspects, the question concerning the environment for reform is still a question that has not been solved in a good way. This question has tangled up the issue of inflation, which is being intensified day by day, and will continue to attract people's attention and discussion.

### Questions on Methods for Structural Transformation, and Dual Structures [subhead]

There are two methods available for economic structural reform and the transformation from the old system to the new system. One is a "package" method, and the other one is a method of gradual advance. Economists all



know well the general strong and weak points of these two methods. Due to the complicated nature of China's economic reform, China has not adopted the "package" method, but has adopted the method of gradual advance. Under the situation that the method of gradual advance is adopted in reform, it is inevitable that the situation of the coexistence of dual structures—the coexistence of the new and the old structures—has emerged. Whether people like it or not, the coexistence of the old and the new structures has become a reality of the present Chinese economy. The existence of dual structures is exhibited by many aspects of the economic life in the period of structural transformation: The enterprise mechanism, market mechanism, and the mechanism of state-managed economy—no one realm of these can go without the dual structures. The adoption of the gradual-advancing reform method, and the gradual growth and decline of the old and the new structures can avoid great shock in the reform, and they have positive effects. However, the mixing of two different structures will also bring a series of knotty problems to the economy. Neither the old planning system nor the new market system can play the role in achieving effective resource allocation, while the defects of each system are added together. Among the phenomena of the coexistence of the dual structures, the very acute one is that for the same product, there exists a price determined by the plan and a price not determined by the plan. This is the concentrated expression of the coexistence of dual structures in planned management, and material circulation. It is inevitable that this type of situation will exist in the transitional period. Some economists consider that the coexistence of dual price structures and the use of both regulatory and relaxed means is perhaps a special method by which the price-determination method is transformed into one whereby price is determined by the market, and this special method has less risk and larger compatibility, and is created in the course of China's economic structural reform. However, if this transformation is not completed, the drawbacks of the coexistence of the dual structures, which is represented by the dual-track price structure, will also be very obvious. The coexistence of dual structures will affect the guarantee of the material supply for the planned key projects of the state, will bring chaos to production and circulation, and the management of auditing, will provide opportunity for the emergence of profiteering, re-selling, and activities aiming at reaping staggering profits through illegal means, will seriously damage the honest style of departments and the general mood of society, and so on. Due to the expansion of aggregate demand in successive years, the excessive demand has shocked various aspects. In addition to this, the emergence of "profiteering activities undertaken by government officials," and that "undertaken by private individuals" have thus shown the inherent contradictions of the dual-track price structure in a more conspicuous way. In view of the harmful effects that the contradictions and clashes between the two structures bring on

social life, many comrades advocated an early end to the opposition of the dual structures, and a quick transition to a situation under which the new structure will occupy a leading position.

However, such a transition is constrained by many subjective conditions. The most important condition is the question of macroeconomic balance mentioned above. If the problem of economic imbalance between aggregate demand and aggregate supply is not solved, and the problem of inflationary price increase is not checked, the fetters brought about by the coexistence of dual structures cannot completely be removed. Otherwise, if the market is opened and if price is determined by market forces under a situation of serious imbalance between aggregate supply and aggregate demand, we would add fuel to the fire and worsen the situation of inflation. It seems that the dual structures will exist for a considerable period of time. Of course, we should work hard to accelerate the pace of reform during this period, in order to replace the old system with the new system and to make the latter occupy the leading position as soon as possible. The length of this course of replacement cannot be separated from the solving of the inflation problem, and it also cannot be separated from the course in which the macroeconomic environment is changed from a sellers' market to a constrained buyers' market.

#### The Choosing of the Critical Links of Reform [subhead]

China's economic structural reform is a course formed by the interweaving of two aspects of reform. One is the reform of the mechanism of enterprises, which is centering on ownership relations or property right relations. Another reform is the reform of the economic operation mechanism, which is centering on price reform. Which one is more important? Many controversies over this question have been aroused among Chinese economists, and two antagonistic viewpoints present themselves. One of these two viewpoints emphasizes the reform of the "ownership system—enterprises." This viewpoint considers the core of reform to be the invigoration of enterprises. If enterprises, a microeconomic foundation, are not reformed, it will be difficult for the market mechanism and indirect macroeconomic regulation and control (tiao kong 6148 2235) to operate. Not long ago, some comrades held that since it is difficult for us to change the tight economic situation in the period of reform, what we can do is temporarily leave aside price reform, and concentrate our efforts on accelerating enterprise reform, which is centered on transforming the the system of property right. Another viewpoint, however, emphasizes the reform of the "price system—the market." This viewpoint maintains that when price is distorted and rigid, and the market is fragmented and stagnated, it would not be possible for enterprises to really become commodity producers and managers who can make independent management decisions and assume sole responsibility for profits and losses. In view of the logic of these two viewpoints, it seems that they



carry some truth, but they put too much emphasis on one-sided progress. In fact, these two reforms do not discriminate against each other. The decision made by the 3d Plenary Session of the 12th CPC Central Committee on economic structural reform has clearly and definitely pointed out that enterprise reform is the center link of economic structural reform, and the reform of the price system will be the key to the success of the entire reform program. Transformation of the enterprise property right system will need the reform of price, which is an external condition of it, and the formation of a competitive market. However, the smoothing of price and allowing price to be determined by market force will require corresponding changes in the mechanism governing the activities of enterprises. Therefore, these two reforms are two inseparable component parts or two main lines in the entire economic reform program. There is a supplementary relationship between them—one is the main body in forming the activities of the market, and the other one is the environment leading to market competition. These two reforms should be implemented in a coordinated way. Of course, under different periods and different situations, we can lay different emphasis on these two reforms. Some people consider that the above-mentioned delay in the implementation of the program of coordinated reform of the price, tax, finance, and monetary systems, which is centering on price reform and was originally planned to be launched in 1987, and the emphasis on the reform of enterprise mechanism begun in the fourth quarter of 1986, are the victories of the "theory centering on enterprise reform—reform of the ownership system." In fact, these are not the results of the change in the theoretical direction, but are results of the situation. In the second half of 1986, aggregate demand expanded again, and we were pressed by the objective situation of macroeconomic imbalances to delay the launching of the coordinated reform and to emphasize the reform of the enterprise mechanism. Of course, these are needed in preparing a suitable macroeconomic foundation for the future transformation to indirect regulation and control. The change in the theoretical direction (the theory centering on enterprise reform occupied a superior position) one or two years ago was just a reflection of this objective situation. However, we should understand that without any improvement in the economic environment, and without any coordination with the reform in the economic operation mechanism, which is centering on price reform, it will be difficult for the reform of the enterprise mechanism to go in depth and to achieve final success.

Recently, because the price question has become a conspicuous one, the question of accelerating price reform, and overcoming the difficulty of price reform in a good way was raised again. Ten years of reform has passed. Apart from the previous problems of distorted price structure and rigid management, the present price problems also involve the problem of dual-track and multi-tracks price systems. These problems, however, are interweaving with the situation that the general price level is increasing in an all-round and continual manner,

and in great magnitude. Currently, the reform is being developed in depth, and price reform can no longer be left aside. Price reform itself involves many difficulties. In addition, the existence of inflation has made price reform a more complicated problem. Price reform itself will definitely increase the general price level. It is of course not practical to implement no reform because we do not want such an increase. At the same time, when price reform is being implemented, if the present inflationary price increase is not stopped, greater pressure on our economic life will be result. Therefore, in order to accelerate the pace of price reform, we should resolutely solve the problem of inflation at the same time. We should also cautiously arrange steps for price reform itself, and corresponding coordinated measures. In this way, we can overcome this dangerous difficulty of price reform in a safe manner, and can promote the formation of an entire new economic system in China.

**RENMIN RIBAO on New Order for Economy**  
*HK2608071988 Beijing RENMIN RIBAO in Chinese*  
19 Aug 88

[Article by Jiang Yiwei (5592 0001 5517): "Views on Establishing a New Order of Socialist Commodity Economy"]

[Text] China's economic structural reform has been going on for 10 years, as have reforms in other relevant fields in tandem. The achievements are there for all to see; however, reform faces quite a lot of problems, especially some abnormalities recently cropping up, including obscure government functions, indistinguishable status of officials from businessmen, disorderly market, dishonorable enterprise operations, unfair social distribution, and so on. All these indicate that a new order of the socialist commodity economy has yet to be established, and that it is imperative to set one up. The problem is how to set about and fulfill this major task.

How can we set up a new order of the socialist commodity economy? In my opinion, we should first of all define a number of basic criteria which the socialist commodity economy must adhere to.

China's economic structural reform is aimed at setting up socialist commodity economy. In our investigations and in practice, we have gradually put forward a lot of principles, but they have yet to be systematized. Some basic principles were not entirely observed when enacting policies, laws, and regulations. For example, the separation of government functions from enterprise operation is a generally recognized principle, but many administrative companies or associations have been set up, and the practice of "substituting the administration for the enterprise" is given way to that of "substituting the enterprise for the administration" or "substituting the association for the administration." The malpractice by which government administration is integrated with the enterprise remains unchanged. Such instances are numerous and they prevent a new order from being set

up. It is desirable for us to summarize several basic principles in broad outline, and present them to the broad masses in concise and simple language so that they will become known to and observed by all, and be applied in assessing new systems, new laws, and new regulations. We believe this will greatly promote the work of gradually establishing a new order of socialist commodity economy.

What basic principles should be defined for socialist commodity economy? This is a problem to be studied in detail, but from the angle of criteria which commodity economy must adhere to, it can be summed up in several points. For example:

1. The basic models and their codes of conduct for the enterprise as producer and manager. This includes establishing the attribute of the enterprise as commodity producer and manager; recognizing the enterprise as independent economic corporation by law; independent management, assuming sole responsibility for profits and losses, self-accumulation, self-development and so on. All these basic criteria can be standardized in the light of resolutions on the enterprise adopted by the 3d Plenary Session of the 12th CPC Central Committee.

2. The relationship between the state and the enterprise. It should be made clear that the government is an organ of political power while the enterprise is an economic organization. The principle of separating the administration from the enterprise, and government officials from businessmen must be upheld. When government exercises its routine functions and powers over routine administration or economic readjustment and control, it must take enterprises of different types of ownership into account; and when it exercises its authority over public-owned property, it should set up another system for the authority over ownership to separate from government functions and powers—otherwise it would be difficult to carry out the principle of separating the administration from the enterprise, and government officials from businessmen. This is certainly a problem to be studied in detail, but it can serve as an example to show what principles should be worked out with respect to the relationship between the state and the enterprise. At present this problem has yet to be entirely settled.

3. The relationship between the enterprise and staff and workers. It goes without saying that staff and workers constitute the main body of a socialist enterprise, but this principle is rather too sweeping, and it is necessary to specify their specific position in the enterprise, including their right to and responsibility for the management decision of the enterprise, the relationship between the director (manager) and staffers, and so on. Since these relations are not clearly defined, a lot of contradictions arise. The code of conduct for staff and workers cannot be stipulated until these relations are defined.

4. The relationship between enterprises. Enterprises compete with each other on an equal footing and at the same time cooperate with each other under the socialist commodity economic system. In the past we put forward the principle of "protecting competition and promoting integration." This principle should be affirmed at present. In the light of this principle, we must stress basic criteria such as the enterprise should keep its word, and strictly execute its contracts. In the meantime we should regard the trade association which enterprises join of their own free will as an organ of self-government coordinating action of and doing a service to its members.

5. Market relationship. A socialist market system is still under construction, calling for the establishment of basic criteria for circulation of commodities, and a code of conduct for exchangers of commodities, including such market criteria as sanctions against monopoly and blockade; such a code of conduct as prohibition of deception, exorbitant profits, and tax evasion; protection of interests of the state and consumers, and providing conditions for competition on the basis of equality.

The above are only examples to show the basic criteria which we should establish, and they are far from complete. At the same time some corresponding criteria are needed with regard to the political system, including the principle of separation of party functions from administration; the functions of the party, the administration, and the laboring masses, as well as relationship among them; the relationship between the central authorities and the authorities at the provincial, city, and county levels and so on. A new social order should also be established. We should also consider what kind of relations should be set up among individuals, between the individual and the collective, and the individual and the state under a socialist commodity economic system.

The building of a new order, including the building of a sound structure and a legal system, will remain our fighting task for a long time to come, but the setting up of basic criteria for a new order was a crying need. We should try to work them out in a short time by making use of the experiences in reforms for the past 10 years.

The main task of building a new order of socialist commodity economy is to replace the old order with a new one. But apart from the main task there are two secondary tasks: One is to prevent "orderlessness" from creating confusion; the other is to check the spread of abnormal "inverted order" tendencies. At present, while we should work hard to establish a new order, what is more imperative is that we should take some measures to check the "inverted order" tendencies in time. There are two main measures to this end: One is to launch a widespread and profound ideological building movement; and the other is to curb the "inverted order" behavior by way of legislation. We can criticize in a proper way the malpractice by which national and the people's interests are violated. We should publicize in a

big way among government officials the great importance of being an honest and upright official, and conduct education in abiding by the law among enterprises and other economic units. At the same time we should pay more attention to commending positive units and characters to encourage healthy trends and curb evil influence. Such a widespread and profound ideological movement will be well received by the masses. To match the above efforts, we should first enact a series of laws to check the inverted order conduct, and pass them into legislation. Such laws as the Corporation Law, the National Public Service Law, the Anti-Corruption and Anti-Bribery Law, the Market Law, the Anti-Monopoly Law, and the Consumer Interests Protection Law are badly needed.

**Basic Understanding of Economic Reform Discussed**  
*HK2508132988 Beijing GUANGMING RIBAO*  
*in Chinese 11 Aug 88 p 3*

[Article by Zhang Zhanxin (1728 1455 2450): "Some Basic Understanding of Economic Structural Reform"]

[Text] The article entitled "On the Political Effect of Ownership Reform" (written by Rong Jian and carried in GUANGMING RIBAO, page 8, 5 May 1988, hereinafter abbreviated as "On Effect") put forward a crucial question concerning political structural reform; that is, the question of democratic politics and economic basis. To answer this question, the author particularly observed the political effect of ownership reform in an attempt to seek a point connecting economic structural reform with political structural reform. It is beneficial that the article raised and studied the question from a new angle. However, some of the expositions on the political effect of ownership reform are not precise and certain arguments are untenable. Because these problems involve some basic understanding of economic structural reform, they merit deliberation and thinking.

**On Economic Basis of Independent, Political Personality**  
[subhead]

The article "On Effect" pointed out: "The principal body of democratic politics must have an independent, political personality. The establishment of this personality is determined by an independent, economic personality." Indeed, the establishment of an independent, economic personality constitutes a component part of economic structural reform. However, the author simply believed that the establishment of an independent, economic personality "is determined by the relations of ownership of the means of production" and further inferred that in the transition from state ownership to social ownership "the relation of direct ownership of social individuals and the means of production will be reestablished to resume the independent, economic personality of social individuals." Hence, he firmly believed that the political effect of ownership reform is the

"economic basis for establishing an independent, political personality." This shows that he was deprived of having a firm grasp of the question.

People's understanding varies on the question of whether the orientation of the reform of state ownership should be social ownership. Even if the ownership reform eventually leads to social ownership, this social ownership should meet the objective needs of socialized production and a modern commodity economy. If the new social ownership defines social individuals' "direct ownership" of the means of production, what kind of ownership relation will it be? If it means direct ownership of the material formation (actual assets) of the means of production, it will lead to rigidity of the means of production and a flow of social members; if it means direct ownership of the value formation (financial assets or security assets) of the means of production, unless the restrictive policy of "fixed quantity of assets" is strictly implemented, the operation of a commodity economy will bring about continuous redistribution of assets among social members, resulting in the establishment of an independent, economic personality (owner's personality) of a small number of social members who possess a large amount of assets, while possession of assets by the majority of social members will just have a symbolic and consumptive significance. In the initial stage of socialism, it would be an idle dream to attempt to universally establish social members' direct ownership of the means of production and to establish an independent, economic personality on this basis.

The establishment of an independent, economic personality is determined by the social members' ownership and right to dispose of production resources (essential production factors). It should be one of the main targets of economic structural reform to define the principal position of social members in social economic life and vest the people with the greatest economic freedom. This does not rule out the fact that state funds will account for a considerably large proportion in social funds. To this end, it is necessary to clearly define social members' ownership and right to dispose of production resources (ability to work and property) and on the basis of perfecting all kinds of economic mechanisms, enable members of society to use social resources through various means to independently engage in economic activities that can satisfy social needs. The ability to work constitutes the production resources universally possessed by social inhabitants. It is also one of the most essential production resources. Here the ability to work has a broad meaning that includes physical and mental labor, the ability to create and develop, and the ability to organize and exercise management. To establish an independent, economic personality, it is necessary to solve a fundamental problem, that is, enable social members to extricate themselves from being dependent on the means of production and groups and establish a new pattern on the premise of independent labor suited to a modern commodity economy in which laborers are



organically combined with the means of production. This should be the target of economic structural reform as well as ownership reform.

#### The Principal Force of Democratic Politics [subhead]

Training and developing the principal force of democratic politics constitutes one of the proper political effects of economic structural reform. While discussing such an effect, however, the article "On Effect" believed that an enterprise would become the principal force of democratic politics after it becomes an economic organization, merely attributing the training of the principal force of democratic politics to the effect of ownership reform. This has resulted in distortion and one-sidedness.

As an economic organization, an enterprise has its independent economic interests. However, the interests which are redistributable reflect the interests of the parties concerned in providing enterprises with the essential production factors. The political demands of enterprises are but the demands of certain social inhabitants and organizations. Enterprise organizations do not have a political nature. They are the carriers of democratic politics rather than the principal force of democratic politics. The principal force of democratic politics is composed of an independent economic and political personality, social inhabitants who are the masters of the state and society, and the nonadministrative mass organizations or democratic party organizations which represent certain interests and demands of the inhabitants. The social inhabitants usually meddle in social and enterprise economic activities, or directly take part in political affairs through the representative organizations. In this sense alone, enterprise economic activities and democratic political activities are interrelated and interactive. Economic structural reform (not merely ownership reform) will strengthen the principal economic personality of social inhabitants and then establish the basic force of democratic politics in society as a whole.

#### The Core of Economic Structural Reform Is Emancipation of Man [subhead]

Some of the understandings in "On Effect" are representative, showing that there are deviations in the thinking at the high levels concerning economic structural reform.

The train of thought different from ownership reform is to put the stress of reforming the enterprise operation system on the premise of maintaining state ownership. These two trains of thought can be referred to as the reform of enterprise property relations, which has always been a hot topic and controversial focus of economic structural reform. However, people who hold one or other kind of viewpoint all regard the reform of property relations as a leading factor of economic structural reform. In my opinion, the one-sided understanding of production relations still prevails here, overemphasizing

the role of the ownership form of the means of production in production relations as a whole. Social production relations refer to the mutual relations and total sum of reproduction constantly formed in the course of production, exchange, consumption, and distribution of social wealth. The ownership form of the means of production plays an important role in the qualities of production relations as a whole. However, it does not play a decisive role. This role also depends on other aspects of production relations. One of the essential characteristics of a modern commodity economy is the continuous weakening of the direct effect of the ultimate capital owner on economic life and the parties concerned in various economic activities operate within a certain scope, constituting an overall effect of the readjustment of economic movement (including capital movement). Some of these activities are related to the modern capital system, while others are not directly related to it. For example, in the modern countries in the West, labor relations have developed remarkably. Like the modern shareholding system, modern labor relations constitute the mainstay of a modern commodity economy. These facts are conducive to people's comprehensive and correct understanding of production relations and economic structural reform.

Another disadvantage of the economic structural reform thinking is that for a considerable length of time, enterprises were regarded as the ultimate bearers of reform without fully revealing and establishing the principal force of a commodity economy which exercised control over enterprise behavior. While the relations between the state and enterprises are improved, instead of promptly readjusting the relations between enterprises and society and straightening out the relations between enterprises and laborers, the stress was put on the leadership system and operation mechanism within enterprises. Consequently, although the administrative feature of enterprises has been abolished, the family nature of enterprises remains unchanged. This state of affairs, which constitutes a great obstacle to economic structural reform (including further reform of the relations between the state and enterprises), seriously hinders enterprises and affects invigoration of enterprises and the economy as a whole.

If we confine our view to ownership of the means of production or to enterprises, it will restrict the depth and breadth of the field of vision of reform and affect the general process of reform. The economic structural reform should not be a "package" plan focused on ownership reform or enterprise reform, even though the reform is coordinated with price reform. Economic structural reform is the overall reform of the formation, functions, and norm of mutual relations and activities of social members, social organizations, and social groups that take part in economic life. The essence of reform is to transform production relations so that they conform to the development of the productive forces. The core of reform is emancipation of man, the most active and revolutionary factor of the productive forces. It should



enable the masses to have the right and space to carry out economic activities and to become the principal force of a modern commodity economy. Emancipation of reform is also a juncture of economic structural reform and political structural reform, and the source of the political effect of economic structural reform.

### **Certain Problems of Reform Principle Reviewed**

HK2608021388 Beijing JINGJI RIBAO  
in Chinese 9 Aug 88 P 3

[Article by Li Chengrui (2621 2052 3843): "Certain Problems of Principle Should Be Solved at the Critical Stage of Reform"]

[Text] China's economic structural reform has embarked on a crucial stage. The requirements of the objective situation on us are: To give play to all forces that can be mobilized to fight the key campaign of economic structural reform; to lead the national economy out of the deadlock between the new and old structures, while guiding the economy into the operational orbit of the new economic structure; to found the new order of socialist commodity economy; and to lay down a sound foundation for the continuous, steady, and harmonious development of the national economy. This article will explore certain problems of principle on how to make the crucial campaign of reform a success.

#### **Handling the Relations Between the Three Basic Links in the New Economic Structure [subhead]**

To do a good job in fighting the crucial campaign of economic structural reform means to fundamentally found the three basic links of socialist planned commodity economy. These include enterprises taking the initiative in management, assuming sole responsibility for profits and losses, and making themselves thrive with vitality; a rather complete and perfect market system; and indirect macroeconomic control, thus basically realizing the economic operational mechanism, whereby "the state regulates the market, while the latter guides the enterprises." Here, the three basic links are the "three inseparable joints" in the whole chain of socialist commodity economy. They are combined in an organic way, permeate with, and depend on, each other, with none of them being dispensable. Among the three, the market is the central nerve system, while prices are the key. Regarding the actual conditions, the price problem is the weakest link, while its effects can be the greatest. The 1984 CPC "Decision on Economic Structural Reform" pointed out: "The reform of the price system is the key to the success or failure of the entire economic reform," the inference is completely correct. Later however, some people proposed finding a solution to the enterprise mechanism by bypassing the price (market) issue (to postpone its reform for 10 years or so,) as well as the issue of "demand-supply balance" (macroeconomic control). Microscopically, this may bring about certain economic results, while maintaining a high rate with some "moisture" for the time being, but the market

has failed to develop normally under such conditions, with prices soaring, and new distortions and confusion surfacing in the market parameters. As a result, it would be very difficult to make the allotment of natural resources work well, while the improvement of overall economic results will be an impossibility. Cadres at various levels and workers and staff have exerted great efforts in implementing the contract system, but it could hardly go on smoothly with inflation and the lack of a fair competition mechanism. Practice over the past few years is evidence. The present situation has made the majority of people see that the price (the market) issue is a major difficulty that cannot be bypassed. This is great progress in understanding. However, we are facing another possible danger, to the effect that some people are attempting to seek a solution to the price issue in isolation, without adopting powerful measures to restrict or to stimulate the microscopic mechanism; by conducting wide-ranging price readjustment, relaxing price control; bypassing the harness of the macroscopic climate and the state's rigid restriction on the enterprise's budget, under the condition that demand is markedly greater than supply; and the excessive issuance of banknotes is being continued. The consequences can be malignant inflation, and a malignant cycle of the national economy. This has been proved by Yugoslavia's economy, we should draw a lesson from it.

In sum, doing a good job in the coordination and formation of a whole range of the three basic links of socialist commodity economy and ironing out prices, which is the key, should be the basic guiding principle for the crucial campaign of the economic structural reform.

#### **Handling the Relationship Between Deepening Reform and Stabilizing the Economy [subhead]**

In-depth reform will be realized only under the condition of the steady development of the national economy. The continuous, steady, and harmonious development of the national economy must be based on the deepening and completion of reform. From a long-range view, reform is for development. Regarding the crucial stage of reform at present, development should serve reform, this is precisely the implication of "controlling the overall situation with reform," which we often refer to nowadays. Too high a development rate of industry (chiefly the processing industry) has resulted in the continuous over stimulation of the national economy, while the relationships between various aspects have been rather strained. Demand has exceeded supply, affecting economic stabilization; it has been accompanied by rocketing price rises, while the implementation of some important measures for economic structural reform have been postponed repeatedly. We should draw a lesson from this. Of course, an excessively low developing rate does not help either. But the problem now is the one-sided pursuit of a high development, while neglecting structural harmony and the improvement of economic

results. Therefore, this requires us to earnestly overcome this tendency, and to create favorable conditions for the success of the crucial campaign of reform.

#### Handle the Relationship Between Economic and Political Structural Reforms Well [subhead]

The plain sailing of the economic structural reform with the guarantee of political structural reform is of great importance and pressing significance at present. The corruption of some cadres, and the slackness in discipline characterized by neglecting orders and bans are serious obstructions to in-depth reform. While implementing the separation of party and government in their functions, the separation of the government and enterprises, and the separation of the state, as administrator on the one hand and as state properties owner on the other, it is necessary to lay stress on honest government and the strict implementation of discipline. Leading cadres at various levels in particular should take the lead in observing the law and discipline (including earnest education among their own children and dependents in doing the same). They should not make a fortune by overstepping their bounds, and genuinely suffer hardships before everyone else, while enjoying pleasures only after all others, and play an exemplary role in every aspect. Only then, will it be possible to brace up the whole nation, to unite from the top-down, and to focus our efforts on achieving success in the crucial campaign of the economic structural reform.

#### Handling the Relationship Between Long-Range and Near-Term Reforms [subhead]

Rome was not built in a day; the founding, development, completion and perfection of the new economic structure, is a long-term strategic task involving decades. This is evident from the practice of our 10-year reform. Practice has also proved that the decisive conversion of the new from the old structure can be completed in a short period of time. Should the double-structure (which finds focal expression in the double-price system) be kept in a deadlock for a long time, not only increasingly great confusion and losses will result in the operation of the national economy, but also our party and government style as well as the social atmosphere will be gravely deteriorated and corrupted, and shaped into a heavy burden quite beyond our country and nation. Some people proposed the completion of this decisive conversion through "taking small steps" for scores of years, I do not believe it to be helpful. Regarding our subjective conditions, we have accumulated certain experiences and strength through our 10-year reform and development. So long as we are bold and resolute, with reasonable arrangements and powerful measures, it is possible for us to basically turn the national economy on the operational orbit of the new economic structure through arduous struggle within 4 or 5 years before the peak of repayment for foreign debts arrives in 1992. On this basis, we will improve and make the new economic structure complete and perfect step by step. The present

task is to firmly grasp this valuable historical opportunity, and to make this decisive campaign a success. Otherwise, the outflow of the national economy will be greater than the inflow after 1992, and the difficulties will be much greater than today. We cannot afford to lose time. It is necessary to be resolute, to adopt major measures to give play to the role of all forces, and to be resolute and bold in strategy despite all risks, just as we did in organizing "the three great campaigns." Tactically, we must be meticulous, and make arrangements with the greatest care. In introducing any policy and measure, we should calculate fully the reaction of different interest groups, while taking into consideration both positive and negative effects, the latter in particular, and be ready to deal with them. Only then, will we be successful in the campaign.

#### Be Bold, and Good at Resolving the Most Difficult Point in Structural Conversion—Survival of the Fittest [subhead]

The conversion of the old into the new structure involves whole-ranging reform with prices as the core, including the above-mentioned three basic links, to set up a generally fair competition mechanism of socialist planned commodity economy, with the survival of the fittest between enterprises replacing the "right of survival by birth" of every enterprise and the mechanism whereby the enterprise eats from the same big pot of the state; the survival of the fittest (which is closely connected with the principle of distribution according to work) replaces the "right of employment by birth" of every individual, and the mechanism whereby workers and staff eat from the same big pot of the enterprise. Without elimination through competition, there would not be any genuine survival of the fittest to speak of. Failure to realize the mechanism of survival of the fittest, the so-called showing respect, and application of the basic law governing the commodity economy—the law of value—would be mere empty words. Lots of people say that the key to deepening reform and ironing out prices lies in improving economic results. This is of course true. But the question is: This slogan has been proposed for years, why have the results been far from satisfactory? A fundamental question is that no solution has been found to the motive force (or pressure) of improving economic results, in other words, no solution has been found to settling the issue of survival the fittest under the condition of fair competition. Compared with some East European socialist countries, which started reform earlier than China, one of the important causes for their setbacks in reform was their failure to settle the difficulty of implementing survival the fittest (or as (Kernei) [keernei 4430 1422 0355], the Hungarian economist put it, the failure to resolve "the fatherly love" the state has showered enterprises with, and the "soft restriction on their budgets"). To resolve this thorny and complicated problem, whole-ranging reform and efforts of many aspects are involved (this problems will be discussed further in another article). Here, I should like to touch upon a point in principle: It is necessary to be

bold as well as good at resolving the problem. When we say that we must be bold at resolving the problem, it does not imply the demand of "guts" in an oversimplified way, but to build a firm belief on the basis of scientific theories. The profound understanding of this difficulty is also fundamental to whether the socialist commodity economy can be founded, whether the criterion of the productive force can be established, and whether a great socialist power can be built. Therefore, it is imperative to overcome all difficulties, and to run all risks. Derived from such scientific understanding and determination is the courage to appropriately tighten money, to balance demand and supply, to readjust the industrial structure, and to iron out prices; while complaints from those enterprises, workers and staff, eliminated through fair competition, can in no way shake our determination. To be good at resolving the problem means to earnestly do a good job in making careful arrangements in policies, decrees, and measures, so that the measures for converting the old mechanism into the new do not go beyond the bearing capacities of the masses; by winning the support and cooperation of the majority of them socialist stability may be maintained in the course of reform. The measures of reform involve macrocontrol, prices, the market, and enterprise ownership. Of all the measures, it is necessary to give priority to the formulation and implementation of "regulations on fair competition" and "regulations on unemployment insurance," and to have them solved as early as possible (official laws will be drawn up after these regulations are implemented for some time). It is imperative to create an atmosphere for fair competition with unsparing efforts. On the one hand, it is necessary to find a way out for those workers and staff eliminated through competition, and to guarantee their basic needs for a living, while guiding them to participation in technical training, and strengthening their competitiveness in the labor service market, so that they may be employed again as soon as possible. The genuine implementation of the principle "survival of the fittest" is not only an important topic in economic reform, but also an important essence in political and ideological work. Cadres and the masses have been somewhat mentally prepared for the conversion with the progress of reform in recent years, but further efforts are required to do a good job in in-depth propaganda and education, so that cadres and the masses may replenish their concepts, be mentally prepared, and strengthen their ideological bearing capacity. The overcoming of this difficulty on the basis of forming a whole range of the three basic links, together with other conditions, will guarantee a decisive success in the conversion of the old into the new structure.

#### **RENMIN RIBAO Views Rural Enterprises**

HK2508141188 Beijing RENMIN RIBAO in Chinese  
22 Aug 88 p 5

[Article by Chen Jiyuan (7115 0679 0337) and Yu Guoyao (0151 0948 5069): "Develop Township and Town Enterprises, Coordinate Urban and Rural Industrial Development"]

[Text] The rapid development of township and town enterprises in recent years has brought about profound changes in the rural economy, and even in the whole

national economy. At the same time, it has also placed before us such problems as how to properly handle the relationship between agriculture and township and town enterprises and that between rural and urban industries. Now we badly need to delve into a question: How can we make full use of the favorable conditions resulting from the development of township and town enterprises; draw up a correct guideline; adopt effective measures; and seize the opportunity to accomplish step by step the rationalization of the national economy, the rural economy, and even the internal structure of agriculture?

In the past 30-odd years since liberation, in the wake of socialist construction, the ratio between industry and agriculture in the output value structure of the national economy, which was formerly recorded as 3:7, has been reversed to 7:3, while the ratio between the urban and rural labor forces and that between the urban and rural population have basically stood at 2:8. This has resulted in an abnormal structure under which urbanization did not develop along with but lagged behind industrialization. So, both the proportion of the rural population to the total population and that of the rural labor force to the total labor force of China have been much higher than those in other countries with an industry-agriculture output value ratio comparable to that of our country. In the wake of the development of township and town enterprises, the shackles of this structure separating urban areas from rural areas have begun to be broken and the longstanding lopsided national economic structure has been gradually changed. However, a series of problems arising from the lopsided economic structure that took shape in the historical process have yet to be solved, and we still have to work out a corresponding production policy and to effectively solve various problems regarding the industrial and agricultural structure and the urban and rural economic structure. At present, we must start from the actual circumstances of China, give comprehensive consideration to the need for the transfer of surplus labor force from agriculture and to the possibility of nonagricultural sectors to absorb the surplus labor force from agriculture, fix a suitable scale and speed of transfer of surplus labor force out of agriculture, and appropriately select the production structure, geographical distribution, and form of ownership for township and town enterprises.

In 1987, the proportion of the output value of township and town enterprises already exceeded one quarter of the total industrial output value of the country. Although these enterprises have competed with large industrial enterprises in urban areas for raw and processed materials, energy, and the market, in the main these two kinds of enterprises do complement each other and help each other move forward. The crux of the problem lies in proper macroeconomic arrangement and guidance. The role of township and town enterprises to complement and support urban industry is mainly expressed in the following aspects: Township and town enterprises have taken over some products and equipment from urban



industry, enabling urban industry to seek higher technology; since land and funds are limited and there has been a need to raise marginal economic returns, the products marketed by urban industrial enterprises have been taken in by township and town enterprises through joint operation—while township and town enterprises have been increasing the supply of energy, raw materials, primary processed products, and other supporting products to urban industrial enterprises, the enormous market for industrial products produced by urban enterprises, especially for those produced in excess of production quotas, has been, to a very large extent, supported by the huge purchasing power that has grown out of the development of township and town enterprises; in addition, township and town enterprises as rising new rivals have played a positive role in expediting urban industrial reform and invigorating urban industrial enterprises, thus producing a conspicuous social effect.

Now we need to make a comprehensive consideration and proper arrangements to ensure the rational division of labor between urban and rural industrial enterprises and the harmonious development of these enterprises, and we must do our best to avoid and ease competition and contradictions between them. With regard to the urban and rural industrial structure, we may select a trapezoidal industrial structure in terms of enterprise size and technological level. Urban industry will mainly form the upper and middle portion of this trapezoidal structure while township and town industrial enterprises the middle and lower portion. Of course, one must not rule out the right of a few urban and rural enterprises to choose freely a lower or higher position in terms of size and technological level. Generally speaking, urban industrial enterprises should serve as pioneers in the development of modern industry, replacing as soon as possible most intermediate technology with modern technology based on economic feasibility. On the other hand, township and town industrial enterprises must popularize intermediate technology step by step while making use of and transforming traditional technology, and they must also introduce some modern technology if possible.

On the whole, township and town industrial enterprises have five options regarding the modes of production structure; namely, the exploitation of local mineral resources; rough and finished machining of agricultural and sideline products; production in cooperation with urban industrial enterprises; manufacturing of name-brand, special, quality, and new products; and production of exported goods oriented to the demands of the international market. Different areas have to make their optimal choice to minimize disadvantages and maximize advantages, in light of their own circumstances and based on the comprehensive consideration of various factors, including the availability of resources, the technological level, the quality of personnel, the adaptability of local traditions to the commodity economy, and the market conditions.

Viewed from their special characteristics and environment, township and town industrial enterprises should focus their attention on the processing of agricultural and sideline products, or in other words, the agricultural and sideline product processing industry should become the largest industry among other township and town industries. This will not only be a reasonable outcome in terms of production and transport facilities but will also be a need if we are to readjust the distribution of material interests and to bring the peasants' initiative in production into play. Viewed from macroeconomic returns, the primary processing of agricultural and sideline products, especially fresh farm products and live animals, should be carried out in rural areas, while fine processing should mainly be carried out in urban areas. Such being the case, it will be necessary to appropriately readjust urban and rural industrial enterprises' share of processing work and their processing capacity and to shift the work of primary processing of agricultural and sideline products to rural areas step by step.

With a large population and limited land, China's per-capita farmland area is only 1.5 mu, and each farm worker owns merely 4.8 mu of farmland. According to surveys conducted in some areas, the suitable ratio between farm workers and land resources should be roughly set at 1:15; in other words, each farm worker should take care of about 15 mu of farmland. The gradual transfer of surplus agricultural labor force to nonagricultural sectors is a requirement that must be fulfilled in the transition from traditional agriculture to modern agriculture. At present, the rural population employed by township and town enterprises stands at 85 million. In the years to come, the surplus agricultural labor force will continue to flow into nonagricultural sectors at a rate of more than 10 million people a year.

But how are we going to ensure the continuous and steady development of agriculture in the wake of the transfer of the surplus agricultural labor force and the development of nonagricultural sectors? This is an issue of top priority that needs to be resolved urgently. In some areas where nonagricultural sectors are pretty well developed, the quality of the agricultural labor force has deteriorated, the peasants' interest in agricultural production has decreased, and in certain areas some peasants have even simply quit farming or carried on farming perfunctorily. If we do not take the necessary measures to deal with all these problems, they will undermine the basis of agriculture and directly affect the scale and speed of industrialization and the transfer of the agricultural labor force. The scale and speed of the transfer of surplus agricultural labor force should be fixed through a study of the internal conditions of agriculture and the overall conditions of the national economy. Growth in the labor productivity of agriculture serves as the objective basis for the transfer of the labor force from agriculture. Only when the labor productivity of agriculture increases will there be a need and possibility of transferring the labor force out of agriculture. At the same time, funds, equipment, and other factors in other economic



sectors and areas also directly affect the scale and speed of the transfer of surplus labor out of agriculture. Overlooking any of the above factors may lead to a wrong judgment on the scale and speed of the transfer of surplus labor from agriculture, thus holding down the growth in the national economy as a whole.

As a matter of fact, there is a discrepancy in relative interests between industry and agriculture in China. Now that the price relations have not been straightened out yet, it is necessary and also possible to ensure an overall coordinated development of agriculture by introducing a system of industry subsidizing agriculture. In implementing the policy of industry subsidizing agriculture, we must pay attention to the following points: First, only a moderate amount of funds should be drawn to subsidize agriculture on the premise that extended reproduction is ensured in township and town enterprises. Second, subsidies for agriculture must be actually appropriated to agriculture, and it is necessary to prevent embezzling of funds by organs at different levels and misappropriation of funds to nonagricultural uses. Third, it is necessary to change the old practice of equal distribution of subsidies according to the area of farmland and the number of heads, and priority must be given to planting, especially grain growing, so as to encourage crackerjacks in grain production to increase investment and to improve the conditions for agricultural production.

#### LIAOWANG Discusses Rural Reform

HK2508144988 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 34, 22 Aug 88

[Letter From Beijing by Bao Xin (7637 0207): "How Will Rural Reform in China Develop in Depth?"]

[Text] My Elder Brother:

There has been much controversy in various quarters of the country recently over the development of agricultural production. The central authorities have also shown unusually great concern over the problem of agriculture. True, the situation facing the mainland's agriculture is relatively grim. What should be the reform in the next stage? At present, the conditions of agriculture are not what things were like when the rural reform was first carried out—with peasants' enthusiasm for production aroused through linking remuneration with output on a contract basis and through more pay for more work. Relatively obvious results were obtained then. Now, the relatively dominant view in the current controversy is that the second stage of the rural reform will go beyond agriculture itself. The main thing is to carry out reforms involving circulation, the purchasing and marketing system, and the pricing system. The law of value is to be followed in guiding agricultural production. A new order of the rural commodity economy is to be established.

People have generally held that the price problem is an important problem now facing agriculture. In the past many years, owing to the "scissors differential" between the prices of industrial and agricultural products, several hundreds of billions of yuan have gone from China's agriculture to support industry. Now, the peasants have decisionmaking power. But agricultural prices have not been completely liberalized. For fundamental agricultural products like grain, the government is still using a form of a purchase contract by relying on administrative intervention. The peasants call this an "imperial grain" tax from the state—a commitment they cannot avoid. There is a given difference between the price specified in the purchase contract and the market price. The peasants feel that they stand to lose in growing grain crops. Thus, they do not grow such crops. Instead, they cultivate economic crops fetching relatively high prices. It is not that peasants have no production enthusiasm. It is that they have no enthusiasm for growing grain. This causes the absence of life and vitality in the whole field of agriculture. The agricultural department also holds no attraction. A jingle that reflects what people think of the different categories of work assigned reads as follows: "Industry and communications rank first. Next come finance and trading. Cultural and educational work is no cause for complaint. But no one registers for work in such fields as agriculture, forestry, and irrigation. After a person commits himself to this kind of work, he would strive again for a transfer elsewhere." This is to say that many people want to jump out of the agricultural department. Involvement with agriculture means hard work and little pay.

The price reform is a knotty problem to be encountered in the next stage of the rural reform. This involves the redistribution of original interests. Whether the reform of the prices of agricultural products calls for an overall liberalization—this is a problem involving the capacity for absorption. Now, the prices of aquatic products have been liberalized. The prices of meats, nonstaple foods, and so forth have also been fully or partially liberalized. Only several categories like grain, cotton, and oil remain to be liberalized. The general trend is to gradually liberalize the prices of agricultural products. The first problem in agriculture is the prices of agricultural products. The prices of agricultural products in turn involve the problem of the prices of the means of production, and also a series of price problems and the wage problem. With these problems not solved, it is extremely difficult to have the problem of agriculture solved in an isolated manner. To turn agriculture into a lively and dynamic industry, we must seek a solution by resorting to the law of value, a system reform, and the combination of production, supply, and marketing as a unified whole.

Compared with economic crops, the current price of grain is too low. This must be regulated through taxation. The present practice is to levy a 7 percent agricultural tax

on grain and also a 7 percent agricultural tax on economic crops. This situation must be gradually changed, so that those who grow grain can reap relatively great economic benefits.

To enable agricultural production to continuously maintain a good momentum of development, we cannot just rely on readjusting the prices of commodities. We must rely on raising farm labor productivity. This calls for the introduction of large-scale land operations. Shunyi County of Beijing Municipality has solved in a relatively satisfactory way the problem of peasants being unwilling to grow grain for fear of "standing to lose." In Shunyi, the income for the grain farmers is generally higher than that for those involved in sideline operations. This is because the former produce grain in a relatively concentrated way, with large-scale land operations realized. A person who takes up grain farming contracts for 100 or 200 mu of land, with a few others to help him. He takes advantage of the tractor station's farm machinery to carry out mechanized farming. Therefore, this county has for 2 consecutive years reaped bumper grain harvests. The people involved in grain farming thus have prospered. To realize industrialization, we must have large numbers of workers involved in industry. Everyone knows that with peasants accounting for 70 or 80 percent of its population, a state must be poor. Therefore, we must gradually steer large numbers of peasants away from the fields to take up industry, animal-breeding, the planting trade, and the tertiary industry. Those peasants remaining to till the land must carry out large-scale land operations and realize agricultural mechanization. Then, peasants, including those grain farmers, will surely prosper.

With best regards,

Bao Xin (15 August)

**Article on Dealing With 'Unemployment With Pay'**  
HK2608061188 Beijing BAN YUE TAN in Chinese  
No 15, 10 Aug 88 p 13

[Article by Zeng Gong (2582 7255) of the National Economy Management Department of Sichuan University: "How To Solve the Problem of 'Unemployment With Pay'"]

[Text] A letter from correspondents that RENMIN RIBAO carried on 13 June quoted an estimate by the Ministry of Labor and Personnel saying that the amount of "unemployment with pay" in industrial enterprises in the country totaled at least 20 million. How to deal with unemployment with pay has now become an important issue in the current reform of the labor system. Here I would like to present my thoughts on the matter.

—It is necessary to seek a theoretical breakthrough. The first task that we have to do is to break away from the theoretical forbidden zones regarding the unemployment

issue rather than to overcome the difficulties that the process of policy-making may involve. In this connection, we need to launch an extensive theoretical discussion on employment and unemployment in China. Only when all the theoretical obstacles have been removed will we be able to draw up a feasible policy on unemployment.

In drawing up the plans on economic development and on the structural reform, we must fully consider the fact of serious "unemployment with pay" in our country. In my opinion, some implicit "unemployment with pay" has to be converted into open "unemployment without pay" so that the unemployment issue will be brought into the open.

—It is necessary to establish a training system and to offer people opportunities to learn, with a view to improving the quality of the labor force.

—It is necessary to take measures to dispose of the surplus labor force, promote export of services by various means, and facilitate the free flow of the labor force within and without China.

—It is necessary to formulate an industrial policy and an employment policy that can accommodate the labor force. While vigorously developing technology-intensive industries, it is necessary to vigorously develop labor-intensive industries as well, in light of the actual circumstances, with a view to offering more job opportunities.

—At present, we must focus our attention on the problem of "unemployment with pay" in large- and medium-sized state-owned enterprises to raise their production efficiency. How are we going to solve this problem?

First, we must reform the management structure of state-owned enterprises and, in particular, take action to separate management from ownership and to clearly define the property right. Our aim is to turn state-owned enterprises into commodity producers which will operate on their own and assume full responsibility for all their profits and losses.

Second, we must reform the current employment system, personnel system for cadres, and recruitment system, based on the principle of fairness and the criterion of efficiency. And we must introduce the competition mechanism and ensure that the principle of distribution according to work is observed.

Third, as soon as the necessary conditions are available, most redundant personnel of large- and medium-sized state-owned enterprises must be laid off and transferred to other posts on a selective basis. Redundant staff members and workers can be assigned to newly established subsidiary enterprises with relative independence or be directly transferred to other lines of production or other enterprises or be laid off unemployed.

Fourth, we must establish a social welfare and security system and constantly improve it, to create the necessary external conditions for the introduction of a new employment and unemployment system.

**Grading for International Tourist Hotels Planned**  
*OW2508231188 Beijing XINHUA in English*  
1508 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Hotels in China for international tourists will soon be graded following the approval of regulations by the State Council recently.

The grading will help the development of international tourism in China, improve the management and service of the hotels and protect the interests of both hotel operators and the clients.

"We plan to start the grading on a trial basis on September 1 in hotels in major tourist cities before implementing it across the country," a spokesman of the National Tourism Administration told XINHUA.

The grades, divided into one, two, three, four and five stars, will reflect construction decoration, equipment, maintenance, management and the quality and variety of services, the spokesman said.

Hotels and holiday centers catering to foreign tourists, Overseas Chinese, people from Hong Kong, Macao and Taiwan and domestic tourists which have been operating for at least one year and run by the state or collectives or joint ventures or wholly foreign owned ventures are eligible for grading.

The National Tourism Administration will set up a special office to guide the work nationwide and be responsible for grading of the three, four and five star hotels. The remaining categories will be decided by tourism bureaus of the provinces, autonomous regions and municipalities.

By the end of last year, China had 1,283 hotels with about 400,000 beds receiving overseas tourists.

**Problems Reported With Imported Machinery**  
*HK2508123188 Beijing CEI Database in English*  
25 Aug 88

[Text] Beijing (CEI)—Quality problems for the imported electric-machinery equipment remain high, according to the China Commodities Inspection Bureau.

The bureau said that the problem equipment was mainly imported from Japan, Italy, the United States and regions like Hong Kong and Taiwan.

Inspections of 73 batches of imported power equipment shows 27 batches, about 36.99 percent of the total are not up to the standard.

Meanwhile, there were 45 batches of substandard electronic products among the 148 batches of the imports, or 30.1 percent of the total.

For light industrial equipment, the defective was among 305 batches in the 897 batches, about 34 percent of the total.

The problems include passing the old or inferior equipment off as good ones. The bureau said that Shanxi imported a 1.2-million-dollar worth glass making equipment, which was assembled with outdated or defective parts, rustic and poorly processed and was different from the blueprint for technical transfer. It was rejected.

Part of the imported machines with numerous internal defects affected production and economic result, the bureau said. It cited that two 2.5-million-U.S.-dollar heat treatment assembly lines of the ball bearings imported by a factory under the Ministry of Railways could not function at all after trial runs.

Some equipment did not tally with the specifications or models described in the contract. Hunan recently imported two 700,000-dollar automatic production lines for processing rice flour noodles, cakes and pastries. However, both failed to meet the demand in its design, and missing necessary moulds for pastries.

The missing of necessary spare parts was also severe, the bureau said.

**Construction at Summer Resorts Under Scrutiny**  
*OW2508061988 Beijing XINHUA in English*  
0550 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—An inspection team will leave tomorrow for two summer resorts—Beidaihe in Hebei Province and Xincheng in Liaoning Province—to make a survey of construction of hotels and restaurants there, today's "PEOPLE'S DAILY" reported.

In recent years an increasing number of departments from central and local governments have built hotels and restaurants in these two scenic spots.

The team, under instructions from Premier Li Peng, will report the number of completed projects, ones under construction and those still in the planning stage, with the object of curbing excessive construction.

**Construction, Sales of Marketable Houses Increase**  
*HK2408124788 Beijing CEI Database in English*  
24 Aug 88

[Text] Beijing (CEI)—The construction space and sales volume of houses in China's cities and towns increased sharply in 1987 and the individual buying rate was also up, according to a report from the Ministry of Construction.



China constructed 40.21 million square meters of marketable houses in 1987, an increase of 17 percent compared with the previous year. The sales rate went up from 64.4 percent in 1986 to 77.9 percent last year. A total of 26.97 million square meters of marketable houses were sold nationwide in 1987, among which 4.263 million square meters, (15.8 percent) was bought by individuals as against 13.9 percent in 1986.

#### **Popular Demand for Automobiles Climbs**

*HK2508121988 Beijing CEI Database in English  
25 Aug 88*

[Text] Beijing (CEI)—The demand for automobiles in China has reached a total of 520,000 this year, according to the estimation of departments concerned.

However, the structure of demand for automobiles has changed, the share of demand for buses is expected to increase compared to last year while the proportion of demand for trucks will have a possible descent. The demand for automobiles tends to further concentrate on those with famous brands.

According to sources, with the development of township enterprises and its rapid increase of demand for means of transportation, the shortage problem of automobile variety is still prominent.

It is estimated that by the year of 2000, 10 percent of Chinese families each will have purchasing power of over 10,000 yuan, which means a great potential in the demand of automobiles for home use.

#### **Light Industry Ministry Forms Associations**

*HK2608125188 Beijing CEI Database in English  
26 Aug 88*

[Text] Beijing (CEI)—China's Ministry of Light Industry has formed 17 professional associations with the approval of the State Council, the country's highest governing body.

The nine newly-formed associations include China Spectacles Association, China Sewing Machine Association, China Toothpaste Association, China Detergents Association, China Essence, Perfume and Cosmetics Association, China Toy Association, China Arts and Crafts Association and China Clock and Wrist Watch Association.

There are eight existing ones—China Bicycle Association, China Enamel Association, China Leather Industrial Association, China Four Treasures of the Study Association, China Furniture Association, China Pen-Making Association, China Salt Production Association and China Battery Association.

It is learnt that preparations for setting up 13 more professional associations under the ministry is under way.



### East Region

#### **Lu Rongjing Inspects Coal Mine in Anhui** *OW2508105888 Hefei Anhui Provincial Service in Mandarin 1100 GMT 23 Aug 88*

[Excerpts] In order to step up coal production in Huainan and Huaibei areas in Anhui Province, a seven-man group, including Lu Rongjing, secretary of the provincial CPC committee and governor of Anhui, and leading comrades of the provincial Planning Commission, Coal Production Department, and the city of Huainan, visited the Huainan Mining Administration and inspected the (Tanyi) colliery on 21 August. After the 9 December incident, the leadership of the colliery has learned a lesson, worked harder than ever before, given top priority to safety in production, and resumed production within a short period. It had already produced 916,000 tons of coal from January to July this year, overfulfilling its production target by 12 percent. [passage omitted]

Lu Rongjing said: The pressure on you people here is considerably high right after the incident. Far from being discouraged, leadership and the broad masses of cadres and miners in the colliery have worked hard and fulfilled their task well. On behalf of the provincial CPC Committee and government, I wish to extend my sincere greetings to you.

After hearing a report made by the leadership of the colliery, Lu Rongjing said: To produce 1.45 million tons of coal this year after a major incident is no easy task. However, there is a shortage of energy resources right now. We must produce more coal in support of construction in China. The cadres and miners of the colliery have unanimously pledged to exceed the 1.5 million ton mark and try to realize the goal of producing 1.6 million tons of coal this year.

Lu Rongjing said: The (Tanyi) colliery is one of China's largest collieries with modern production facilities. All the relevant departments in the province of Anhui and the city of Huainan as well as the Huainan Mining Administration must support this colliery and help it solve actual problems. [passage omitted]

Lu Rongjing also went underground to visit miners working in the coal pits to make inquiries about their working and living conditions.

#### **Han Peixin Addresses Jiangsu Congress Session** *OW2508141488 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 23 Aug 88*

[Excerpts] The fourth session of the Standing Committee of the seventh provincial People's Congress opened in Nanjing on the morning of 23 August. Chairman Han Peixin presided over the plenary meeting. He pointed out: From now on, the provincial People's Congress must pay attention to the following two tasks:

1. It must be concerned over the major events in the nation and in Jiangsu, while working hard on local legislation and providing legal supervision.

2. It must bring into full play the role of its deputies to participate in government and political affairs.

The provincial People's Congress must solicit, through its deputies, opinions of the people. On the basis of the guidelines issued by the central authorities, the provincial CPC committee and government will work out plans for price and wage reform, circulation of commodities, economic results, political and ideological work, and on helping party and government organizations remain honest in performing their official duties. It is necessary to let the deputies know about such plans and solicit their views. Through the deputies, we must mobilize all the people in the province to join their efforts to deepen reform. [passage omitted]

Li Zhizhong, Xing Bai, and Li Qingkui, chairmen of the Standing Committee of the provincial People's Congress, attended the meeting. Li Peiyong, president of the provincial Higher People's Court, and (Zhang Tonghai), deputy chief procurator of the provincial People's Procuratorate, also attended the meeting as observers. Also present at the meeting were responsible persons of the relevant departments of the provincial government and chairmen and vice chairmen of the standing committees of the people's congresses of 11 cities in Jiangsu.

#### **Shortage of Power Supply Reported in Zhejiang** *OW2508141088 Hangzhou Zhejiang Provincial Service in Mandarin 0900 GMT 24 Aug 88*

[Text] Recently, due to a shortage of coal for power generation in the east China region, supply of electric power to our province has been reduced by a great extent. In addition, various major thermal and hydro-electric power plants in the province also face serious shortages of coal and water. As a result, our province is faced with unprecedented difficulties in power supply. At present, our province is short of 8 million kwh of electricity daily or 400,000 kw of power-generating capacity, which are equivalent to the capacity of two power plants. The power network is constantly operating in a low cycle.

In the light of this situation, the provincial office for power generation has issued an order to adjust the index of power consumption. It called on economic commissions in various prefectures and cities to make necessary adjustments to insure supply of power for key units and reduce the supply of power for the production of less urgent and energy-consuming products. Excessive use of electricity should be strictly stopped and efforts should be made to conserve electricity.

At present, various electric power units are doing their best to obtain coal and oil and keep power generators in good condition to avoid inspections and repairs and to generate as much electricity as possible in a safe manner.

### Central-South Region

#### Paper Warns on Panic Buying in Guangzhou

OW2608092688 Beijing XINHUA in English  
0756 GMT 26 Aug 88

[Text] Beijing, August 26 (XINHUA)—Today's "CHINA YOUTH NEWS", reporting on panic buying in south China's Guangzhou City, warned that this could have a detrimental effect on the nation's ongoing economic reform.

This summer Guangzhou residents rushed to withdraw their money from the banks, spurred by a rumor that the interest rate had fallen below the price index. Panic buying then spread to other parts of the country.

By the end of last June, the total urban and rural bank savings had reached 349.3 billion yuan, 41.9 billion more than last year, and the people's cash holdings had reached 100 billion yuan.

Some economists warned that if the people started to use all this money, they will be able to buy up everything.

They proposed that the housing reform be promoted to encourage people to buy commodity houses. Such housing will be able to consume a considerable part of the social purchasing power, they added.

#### Shenzhen Rules Keep Officials Honest

OW2608051488 Beijing XINHUA in English  
0155 GMT 26 Aug 88

[Text] Shenzhen, August 26 (XINHUA)—Shenzhen, a special economic zone in Guangdong Province, has worked out a package of stipulations aimed at keeping governmental organs and office workers honest in performing their official duties.

These stipulations include:

—Party and government organizations and officials are forbidden to do business or run private enterprises. Officials are not allowed to concurrently serve in enterprises.

—Party and government organizations are forbidden to grant commissions to individuals. Officials are forbidden to demand or take commissions. And commissions from overseas businessmen are not allowed to be put into private pockets.

—Officials are forbidden to send their children or relatives to study abroad with financial assistance from foreign businessmen or businessmen in Hong Kong and Macao.

—Extravagance must be guarded against in celebrations and leading officials cannot send gifts bought with public money. If gifts are given they should either decline them or hand them over to higher authorities.

—Those on business in foreign countries or Hong Kong and Macao are forbidden to visit places of ill repute, read pornographic books or watch sex films.

#### Hainan Session Elects Court, CPPCC Officials

##### Court, Procurator Chiefs

OW2608051088 Beijing XINHUA Domestic Service  
in Chinese 1432 GMT 25 Aug 88

[Text] Haikou, 25 Aug (XINHUA)—The First Session of the Hainan Provincial People's Congress elected on the morning of 25 August the president of the Hainan Provincial Higher People's Court and the chief procurator of the Hainan Provincial People's Procuratorate. Ding Guo [0002 2654] and Li Tianxiang [2621 1131 4161] were respectively elected president of the Hainan Provincial Higher People's Court and the chief procurator of the Hainan Provincial People's Procuratorate.

##### CPPCC Officials

HK2508151588 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 24 Aug 88

[Excerpt] The more than 200 participants attending the First Session of the First Hainan Provincial CPPCC elected Yao Wenxu chairman of the First Hainan Provincial CPPCC Committee at its second plenary meeting held in the Provincial Working Committee Auditorium this afternoon.

At the meeting all of the participants also elected by secret ballot eight vice chairmen of the Hainan Provincial CPPCC Committee, a general secretary, and 33 members of its Standing Committee. The eight newly elected vice chairmen are: Chen Kegong [7115 0344 0396], Zhang Jintao [4545 6930 3447], Zhou Zheng [0719 6927], Hu Kai (f) [5170 2818], Zhou Song [0719 2646], Li Mingtian (Miao minority) [2621 2494 1131], Lin Hongzao [2651 7703 5679], Chen Hong [7115 1347]. The general secretary is Huang Zigui [7806 1311 2710]. [passage omitted]

#### Hainan Officials Address People's Congress

##### Xu Shijie on Elections

HK2608053388 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1525 GMT 23 Aug 88

[Report: "Xu Shijie Stresses the Need To Tap Potential of People From All Corners of the Country in Building Hainan"—ZHONGGUO TONGXUN SHE headline]

[Text] Haikou, 23 Aug (ZHONGGUO TONGXUN SHE)—Xu Shijie, head of the preparatory group for the establishment of Hainan Province, addressed the opening ceremony of the provincial People's Congress today,

emphasizing the "need for treating new cadres with a broad mind and tapping the potential of people from all corners of the country." It is necessary to assign cadres who have formerly worked in Hainan properly, and those who have long worked with certain departments, he said. On this premise, some qualified people that Hainan needs may be recruited from other provinces.

Xu Shijie explained the decision on the application of the election method where the number of candidates equals the number of seats to the current election of members of the Standing Committee of the provincial People's Congress, the provincial governor, vice governors, the president of the provincial People's Higher Court, and the chief procurator of the provincial People's Procuratorate. Xu admitted that the election method where the number of candidates exceeds the number of seats is more advanced than the election method where the number of candidates equals the number of seats. But, for the time being, the latter method is more suitable since it is difficult for the broad masses to get acquainted with many cadres who are newcomers within a short time and it is also difficult to assign all these new cadres to run elections in different cities and counties. He noted that it is based on the authorization by the NPC Standing Committee and in light of the actual circumstances in the province that the election method where the number of candidates equals the number of seats is selected. But, no matter which method is used, the key principle to be observed is that the election must be conducted on the basis of thorough discussion and democratic consultations. A secret ballot conducted on this basis can equally represent the will of the electorate, he said.

#### **Chairman on Successes, Problems**

HK2608015188 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 25 Aug 88

[Excerpts] The First Session of the Hainan Provincial Conference of People's Representatives held its fourth full gathering this afternoon. Executive Chairman Wang Yuefeng presided. [passage omitted]

As commissioned by the provincial government, newly elected Governor Liang Xiang delivered a report on the situation, goals, and tasks in building Hainan Province. The report was in three parts: 1) preparing the establishment of the provincial government, and the current situation; 2) the general goal in the development strategy for the Hainan Special Economic Zone; 3) vigorously develop the productive forces and speed up the pace of reform and opening up, to lay a sound foundation for achieving the general goal in the development strategy for the Hainan special economic zone. [passage omitted]

Liang Xiang pointed out that Hainan's current political and economic situation is good. Very good prospects have emerged for social stability and economic development. We have made a start on developing and building the special economic zone. However, we must also

realize that the province is only in the initial stage of building the special zone, and we have encountered many difficulties and problems. We will work hard to resolve these problems. In short, the prospects for the building of the Hainan Special Economic Zone are bright, and we should be full of confidence in success.

On the general goal in the development strategy for the Hainan Special Economic Zone, Governor Liang Xiang said that the general goal is to persevere in spurring development through reforms and opening up, use the markets to regulate the economy, and strive to develop the productive forces; on the basis of vigorously importing foreign investment and new technology and speeding up industrialization, we should eventually set up a comprehensive economic zone in which industry is the leading factor, industry, agriculture, and commerce are developed simultaneously, the main industries develop in coordinated fashion, commodity economy is highly developed, science and culture are relatively advanced, people's living standards are relatively well-off, and the development of export-oriented economy predominates. After 20 years or a bit longer, we should achieve a per-capita gross national product of over \$2,000, and join the ranks of economically developed countries in Southeast Asia.

In part three of his report, Liang Xiang pointed out that the historical task of Hainan's first provincial government in the next 5 years can be summarized as development, reform, and laying foundations. Liang Xiang pointed out that this government must strive to fulfill the following tasks:

1. Emancipate the mind and make good, flexible, and adequate use of the special policies allowed Hainan by the central authorities.
2. Establish a new order of market economy and complete as soon as possible the replacement of old systems by new.
3. Get a good grasp of infrastructural construction so as to create an excellent investment climate.
4. Strengthen leadership, increase investment, and develop agriculture for earning foreign exchange.
5. Speed up the pace of opening up to the world, and actively bring in foreign investment and Hong Kong, Macao, and Taiwan capital so as to lay the foundation for invigorating industry.
6. Do a good job in exploiting tourism resources and strive to shape tourism into a pillar industry.
7. In accordance with the demands of building the special economic zone, speed up the progress of science and technology and the exploitation of brain-power, vigorously develop science and technology, education, culture, and public health, and step up the building of socialist spiritual civilization.



8. Speed up the building of the legal system and strive to ensure that the province is governed by law.

9. On the basis of economic prosperity, gradually improve the people's living standards and the environment.

10. Strive to build a streamlined, efficient, honest, open, and civilized government.

The report called on the people of the province to carry forward the glorious tradition of the 23 years during which the red flag never fell to the ground, unite all forces inside and outside the province and at home and abroad that will help to develop and build Hainan, mobilize all positive factors, clear the way to forge ahead with strict discipline, firm unity, and arduous pioneering, and build Hainan into a well-off, democratic, and civilized treasure island. [passage omitted]

**Hainan's Newly Elected Leaders Profiled**  
*OW2608030688 Beijing XINHUA in English*  
1409 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Here are profiles of Hainan Province's newly-elected leaders.

**Governor Liang Xiang:**

He was a top leader of Shenzhen—China's first special economic zone—between March 1981 and May 1986. In 1987, one year after his retirement, he was appointed deputy head of the preparatory group for the establishment of Hainan Province.

Liang was born in 1919 in Kaiping County, Guangdong Province, and joined the revolution during the war against Japanese aggression in the 1930s.

After 1949, he served, in succession, vice-mayor of Guangzhou City, secretary of the CPC Guangzhou City Committee, member of the Standing Committee of CPC Guangdong Provincial Committee and vice-governor of Guangdong Province.

**Vice-governors:**

—Bao Keming, 56, a specialist in astronautics industry. He studied at the Industrial Engineering Institute of North China University, Beijing Industrial Engineering Institute and Moscow Aeronautical Institute.

He was transferred to Hainan in February 1988 from the Ministry of Astronautics Industry where he was once vice-minister.

—Meng Qingping, 51, has worked in Hainan for two decades as a teacher, technician and director of an iron mine.

—Wang Yuefeng, 58, of the native Li nationality, is a graduate of the Central China Institute for Nationalities. He was a leader of the former Hainan Administrative Region under the jurisdiction of Guangdong Province.

—Xing Yejiang, 54, expert in education. He graduated from Hunan Agricultural Institute in 1955 and once served as director of the Education Department of the Ministry of Forestry.

—Zou Erkang, 59, had worked on a series of official posts in Shenzhen for seven years. He was once vice-mayor of the city.

**Hainan Governor Addresses People's Congress**

**On Economic Development**  
*OW2508123088 Beijing XINHUA in English*  
0934 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Hainan Governor Liang Xiang today mapped out the strategic target for the province's economic development at the first session of the provincial Conference of People's Representatives.

"The target for the next 20 years or so is to yield a per capita gross national product (GNP) of over 2,000 U.S. dollars," the governor announced in his report to the conference.

This figure will be about the same as that for comparatively developed countries and regions in Southeast Asia, he explained.

According to him, by then Hainan will be built into an exported-oriented special economic zone with a highly advanced commodity economy, fairly developed science and culture and comfortable life for its people.

To this end, he said, the province will carry out a reform, let the market regulate the economy, vigorously introduce foreign investment and develop simultaneously its industry, agriculture, trade and tourism, with industry as the leading factor.

The goal will be achieved in three stages, Liang Xiang said.

In the first stage, which started in 1987, Hainan will strive to catch up with the economic level of the national average and solve the basic problems of food and clothing in three to five years.

In 1987, the per capita provincial GNP was 845 yuan and one-sixth of Hainan's 6.15 million population were still living below the poverty line.

The second stage is designed for another five to seven years when Hainan will rank among China's economically developed areas. The concrete goal for the period is set at a total GNP of 21 billion yuan, averaging 3,000 yuan (800 U.S. dollars) for each person.

In the third stage, which involves ten or more years, the governor said, the province's GNP will reach 66 billion yuan, or 8,400 yuan (2,260 U.S. dollars) for each person.

Liang Xiang described the target as ambitious and hard to achieve as conditions at present are still backward.

He said that, in addition to adopting a more flexible economic policy, Hainan has to carry out a fundamental reform in its existing system which is unsuited to the development of productive forces, and establish a new market economy compatible with international practices.

#### On New Economic Zones

OW2508120088 Beijing XINHUA in English  
0943 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Liang Xiang, governor of the newly founded Hainan Province, said today that the province will make rational distribution of essential factors for production in five large economic zones to be set up on the island.

The Northern Economic Zone, including Haikou City and four counties, will emphasize the development of the textile, machinery, electronic, rubber, food and tertiary industries.

The Southern Zone, covering Sanya City and three counties, is slated to be turned into a tourism resort, and food and handicrafts manufacturing industries will be the backbone of the zone's industrial development.

The Eastern Economic Zone will be devoted to agricultural production. It will also develop export-oriented industries such as processing and assembling with supplied materials and compensation trade.

The Northwest Economic Zone, which abounds in natural resources such as natural gas, oil and aquatic products, is scheduled to develop those resources.

Heavy industries, including steel, building materials and chemicals, will be developed in the southwest economic zone as the region has plenty of mineral resources.

Top priority will be given to the development of the Northern Economic Zone.

#### On Improving Investments

OW2508120288 Beijing XINHUA in English  
0950 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—The main task in the next five years for Hainan Province is to speed construction of infrastructure facilities and to create good conditions for investment, Liang Xiang, governor of Hainan, stressed at the provincial Conference of People's Representatives today.

The Hainan government will pay great attention to the construction of energy, power, telecommunications, and transportation projects. This is the basis for improving investment conditions, said Liang.

The installed capacity of the province's electric grid will be increased to 2.1 million kw in 1992 from the present 0.4 million kw, he said.

At the same time, the Fenghuang International Airport will be completed in 1990 in Sanya in the southern part of Hainan. Construction and expansion of the ports of Xiuying, Yangpu, Qinglan, Basuo, Macun and Sanya are now under way. When completed, the annual cargo-handling capacity of these ports will reach 11 million tons.

By 1992, the province will have a comprehensive transport system with coordinated development of sea, air and land transport facilities, Liang said.

In 1992 all counties and cities will have automatic telephone switching systems, Haikou and Sanya will have program-controlled systems, and the number of telephones will be increased to 150,000 from 29,000. In around 1990 a satellite earth station will be constructed in Haikou to facilitate international telecommunications, Liang said.

Liang also pledged to improve the "soft" investment conditions by maintaining low tax rates, cheap labor and land use fees.

#### On Studying Foreign Experience

OW2508130488 Beijing XINHUA in English  
1010 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Hainan will absorb advanced foreign experience to develop its market economy, especially from Hong Kong.

Addressing the First Session of the Hainan Provincial Conference of People's Representatives today, Liang Xiang, the new governor, said that Hainan's economic system will be different from China's traditional planned economy featuring a high degree of centralization. His government will learn from advanced capitalist countries how to build up and manage its economic system.

Based on the law of value, Hainan's new-style economic system is to stress a more open market economy, Liang explained.

The new system will tune enterprises and production in accordance with the demands of international markets. The task of the government is to organize and safeguard the new order, and guarantee the functioning of the market system. It will also use the law to solve problems which can not be solved through market adjustment or by enterprises themselves.

Hainan will institute different types of ownership systems, including state ownership, and cooperative and private ownerships, to speed the development of its economy, Liang stressed, adding state ownership will not necessarily be the major sector of its economy.

Hainan's high-speed economic development demands the absorption of a large amount of foreign capital, the setting up of more enterprises with sole foreign investment, joint-venture enterprises and cooperation enterprises.

All such enterprises will be encouraged to compete in Hainan under equal conditions, and property rights will be allowed to be transferred or merged.

#### **On Introducing Foreign Investment**

OW2508120988 Beijing XINHUA in English  
1000 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Hainan Province will introduce more foreign investment, especially investment from Hong Kong, Macao and Taiwan to accelerate the development of local industry, Governor Liang Xiang said today.

Priority will be given to the construction of industrial development zones, so as to build a framework for Hainan's industry within the next five years, said the governor in his report delivered at the first session of the provincial Conference of People's Representatives.

The province should take advantage of its cheap labor and land-use fees to engage in processing with supplied materials, designs and parts, and compensation trade, Liang said.

The provincial government will encourage overseas investors to set up productive, export-oriented, technologically advanced and pollution-free enterprises in the region.

Transnational corporations and financial groups are welcomed to start large projects on the island, he said.

Statistics show the local government has approved 161 foreign-funded enterprises involving 226 million U.S. dollars in investment since the province was founded last September.

A total of 10 billion yuan in foreign investment will be used by 1992, announced the governor.

Meanwhile, the province will promote economic and trade cooperation with other parts of China.

Special preferential treatment policies for export-oriented enterprises will be adopted and a number of backbone enterprises or manufacturers of brand-name or high-quality products will be set up.

"We should try to open up more markets for our products with emphasis on the markets in Hong Kong, Macao, Japan and Southeast Asian countries," said Liang.

By 1992, the export value of Hainan will make up 15 percent of the total gross national product of the province and the figure is expected to increase at an annual rate of 30 percent, the governor predicted.

Over the next five years, the province will speed construction a number of key enterprises including a 350,000-ton iron and steel complex, a cement works and a number of chemical works.

#### **Stresses Taiwan Investment**

OW2608031288 Beijing XINHUA in English  
1412 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Hainan, China's newest province and largest special economic zone, will designate some areas as special zones for Taiwan investment, said Liang Xiang shortly after he was elected governor of the province today.

The zones, to be set up "in places considered as appropriate", will aim to encourage Taiwan compatriots to help in the development of the province and promote economic cooperation between the two largest islands of the country, he said.

He said that Taiwan investors would be granted preferential treatment.

Hainan is now concentrating on developing the Yangpu Economic Development Zone on the northwest coast of the island, he said.

The zone is expected to become a medium-sized industrial city making use of natural gas from the Yingge Sea, where a host of Sino-foreign oil and gas exploration projects are under way. According to the governor, the provincial government will draw on foreign experience to formulate the basic legislation for the zone, which is expected to become the island's first port.

Construction of the infrastructure in the zone is now in full swing in the zone, Liang said, adding that two berths for 10,000 dwt-class ships should be operational next year, and a 1.3 million kw power plant is expected to start generating power by 1992.

Also planned for the zone is a petrochemical complex producing 200,000 tons of polyvinyl chloride.



**On Agricultural Development**

OW2508125088 Beijing XINHUA in English  
1006 GMT 25 Aug 88

[Text] Haikou, August 25 (XINHUA)—Agriculture is the key to the development of Hainan, China's newest province and largest special economic zone, Governor Liang Xiang said today.

Liang said that in the coming five years the government will increase its investment in agriculture.

Liang predicted that by 1992 the province's total agricultural output value will reach four billion yuan and the farmers' average annual per capita net income, 750 yuan.

China's second-largest island, Hainan this year achieved an agricultural output value of 2.63 billion yuan and an average annual income per farmer of 451 yuan.

Situated in the sub-tropical zone, Hainan enjoys a mild climate and plenty of rainfall, a climate ideal for the growth of tropical crops. However, the island still has one million hectares of land waiting to be developed.

Liang urged local governments to increase their investment in agriculture and encouraged farmers to introduce more foreign capital into farming.

Liang said he hoped that local agriculture would be able to help the province earn more foreign currency by developing more cash crops.

So far, there are 97 state-run farms, which play a big role in the province's economy. Liang said the provincial government would gradually allow collectives and individuals to contract state farms.

"Some large and better-equipped farms where tropical crops are grown can be run like their counterparts in capitalist countries," Liang said.

**Hubei Demonstrates Reformed Employment System**

HK2608014988 Wuhan Hubei Provincial Service  
in Mandarin 1130 GMT 24 Aug 88

[Excerpts] Since July this year a reformed contract employment system with the focus on qualifications and assessment of professional performance has been demonstrated in the province. All units and departments have been requested to follow the principle when recruiting and promoting their employees. [passage omitted]

According to a plan drawn up by a provincial group for the reform of the employment system, offices directly under the provincial authorities as well as all prefectures, cities and autonomous prefectures will start to introduce the system on a trial basis in September and then spread it step by step after summing-up the experiences.

**Criminal Reporting Centers Established in Hubei**

HK2508153588 Wuhan Hubei Provincial Service  
in Mandarin 1130 GMT 24 Aug 88

[Text] People's procuratorates at different levels of the province have so far set up 26 reporting offices for handling criminal cases involving state functionaries in abuse of power, illegal economic activities, and violations of the law and discipline. By 18 August, these offices had received nearly 1,000 clues given by the masses of people, of which there are 47 clues leading to major and serious cases of embezzlement, accepting bribes, and profiteering. People's procuratorates at different levels have filed the clues and are busy investigating and studying them.

It has also been reported that the provincial People's Procuratorate has received 118 clues since it established on 16 July a reporting center for handling criminal cases involving state functionaries. Thirty-six of these cases have been handed to people's procuratorates at a lower level for handling without delay.

**Hunan Sees Abrupt Pork Price Increase in August**

HK2508150588 Changsha Hunan Provincial Service  
in Mandarin 2200 GMT 24 Aug 88

[Text] Since August different areas of our province have seen an abrupt and quick increase in pork prices, and everyone is now talking about the matter.

In this connection, our reporter yesterday visited the provincial Meat and Aquatic Product Corporation. A responsible person of the corporation told the reporter that the sudden and sharp increase in meat prices in recent days was unexpected. He analysed: The following factors are probably contributing to the problem: 1) During August the number of live pigs delivered to the slaughterhouses is usually low, and the purchase prices of live pigs are still tending upward because silage is in short supply and the prices of fine fodder are rising alarmingly. Moreover, since August Guangdong Province has purchased large numbers of live pigs at higher prices in our province, and this exerted much more pressure on our markets. 2) Since there have been several occasions of panic buying of pork, many pig-raising households are not selling their live pigs but are waiting for the right opportunities. Furthermore, state-run meat companies have failed to work as a major channel. This is another major factor leading to the sharp increase of pork prices.

According to figures compiled by the provincial meat corporation, in the 1st half of August, 6 cities directly under the jurisdiction of the provincial authorities procured merely 16,490 live pigs, about 30,000 head less compared to the same period last year. However, the production of live pigs in our province this year is encouraging, and the number of live pigs on hand is increasing. Up to the 1st half of August, frozen pigs kept in stock numbered 1.4 million head. According to an

analysis made by comrades from meat departments, pork prices can be kept at the present level and there will be no major slumps. It is expected that pork prices will not drop until October. To ease strains between supply and demand, all localities have now increased the supply of frozen pork.

### Southwest Region

**Dalai Lama's 'New Proposal' for Tibet Condemned**  
HK2608054988 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese 22 Aug 88 pp 4, 5

[Article by Sha Hua (3097 5478): "Further Expose on the Essence of Dalai Lama's 'New Proposal'"]

[Text] On 15 June, the Dalai Lama put forward a "new proposal" on the Tibetan issue in Strasbourg, France. While stressing that Tibet has always been an "independent state" which has never lost its sovereignty, he proposes a programmatic suggestion on turning Tibet into a "self-governing democratic political entity" which maintains a "combined link" with the central authorities. Some public opinions hold that this is a "concessive plan" aimed at abandoning "sovereignty" in exchange for "self-government," and that it is a great step on the path of conciliation with Beijing. Some believe that its "basic aim is to break the deadlock without making any principled concession on important issues." Some believe that it is "close to the stand of India when Jawaharlal Nehru was in power, namely, acknowledging the suzerainty of the Chinese over Tibet." As opinions vary, no unanimous conclusion can be reached. This reflects the different stands and views on the Tibetan issue. Does the Dalai Lama's "new proposal" abandon the "sovereignty" of Tibet? The answer is absolutely not!

First, it should be pointed out that a series of suggestions and proposals put forward by the Dalai Lama on negotiations and dialogue between the "Tibetan Government" and the "Chinese Government" are based on the prerequisite of the "independence of Tibet." This is why he has time and again stressed that Tibet has always been an "independent country" which has never lost its sovereignty. Due to the "incursion" of China, it has now been illegally occupied. Proceeding from this basic prerequisite, he maintains that Tibetans have the right to resist foreign aggressors, eliminate the "consequences of the aggression," strive for "national self-determination," and restore the position of an "independent country." In such a way, the Dalai Lama has regarded a matter of internal affairs of the PRC as a dispute between two "sovereign countries," and taken a matter of autonomy in a region of minority nationalities as a problem of international law involving national independence and self-determination. This is the essence of all the problems. The Dalai Lama and his advisors have truly cudged their brains for their "new proposal."

Second, proceeding from the above-mentioned prerequisite, the Dalai Lama puts forward a political proposal on "linking Tibet as a self-governing democratic and political entity with the PRC." This actually changes the legal status of Tibet. The so-called "Tibetan Government" will have the "right to decide on affairs relating to Tibet and the Tibetan people," whereas the Chinese Government will be responsible for the "foreign policy" of Tibet. Just as some people have said, judging from the angle of international law such relations are similar to the relations between a suzerain state and a dependency on the one hand, and between a protectorate and a protege on the other hand. According to international law, such relations are still relations between states. The foreign affairs of a dependency, or protege is handled by its suzerain state, or protectorate. However, as far as internal matters are concerned, a dependency, or protege, has the right to self-determination. In international law, it is still regarded as a semisovereign, or partial sovereign state. This shows that the Dalai Lama regards Tibet as a sovereign state whose status is the same as that of China.

Third, the Dalai Lama stresses that the "Tibetan people themselves must be the ultimate authority for their selection," and that all proposals must be approved by referendum, and that the "economic and social system of Tibet must be determined by the Tibetan people." This suggestion is actually regarded as "right to national self-determination" in international law, namely the right to self-determination sought after by people in colonies, or occupied land, who are striving for national liberation. Some people in the West have emphasized "self-determination of all people." They one-sidedly say that failure to "truly hold regular elections" in accordance with Western standards means the failure to "realize the right to self-determination" of the people. Under this pretext, they interfere in the internal national issues of other countries. The Dalai Lama's proposal is actually based on this view. It should be pointed out that this is a trick, stealing the beams and pillars and replacing them with rotten timber, which is aimed at mixing up the two different concepts of "right to national determination" in international law, and of "national autonomy" in internal law. In such a way, the autonomous system for regions of minority nationalities implemented by the Chinese authorities in Tibet over the past 20 years or more is completely negated.

Furthermore, the Dalai Lama stresses that the "Tibetan Government" should be established on the basis of the Constitution and Basic Law. "The Basic Law should stipulate that the government is a democratic government based on a Western pattern. A legislative organ based on the two-chamber system and independent judicature should be established. Executive officers should be elected by residents." Some people say that this proposal is similar to Hong Kong's pattern of "one country, two systems." Actually, this is not so. The method adopted by the Chinese authorities for solving the problem of Hong Kong is based on the Chinese Constitution which stipulates that when necessary special administrative zones can be established. The Basic

Law for Hong Kong is formulated within the scope of the Constitution. The situation in Tibet is different. It is a region of national autonomy. Its status and form of government have been explicitly stipulated in the Constitution of the PRC, and an important basic law of the Constitution—autonomous law for regions of minority nationalities. The Tibetan Autonomous Region is formulating its autonomous regulations in accordance with autonomous law for regions of minority nationalities. Therefore, no problem of formulating a basic law has existed. What the Dalai Lama wants is not "one country, two systems," but exactly "two countries, two systems."

It can be seen clearly that the Dalai Lama has abandoned the "sovereignty" of Tibet. Therefore, the so-called "new proposal" of Dalai Lama is actually a continuation and development of the view on the "independence of Tibet." The basic stand and aim of the "new proposal" is still to persist in the "independence of Tibet," and to split the motherland. This time the Dalai Lama merely practices deception, and selects a roundabout route. Of course, it is different from an undisguised preaching of the "independence of Tibet". However, things remain essentially the same despite all apparent differences. How can the Chinese Government accept his "new proposal?" Very often, the Dalai Lama preaches the "independence of Tibet" under the pretext of protecting the survival and happiness of the Tibetan people. If he truly thinks of the Tibetan people, and the development and progress of Tibet, he should give up the illusion of "independence" as early as possible, and truly do some practical and beneficial work for the development and progress of the Tibetan nationality, and the happiness of the Tibetan people in the big family of the PRC motherland. History is ruthless. It is necessary to look back on history. The Dalai Lama is roaming about in a foreign land, and living under another's roof. He has indulged in empty talk of "independence" for about 30 years. Even if he keeps on doing so for another 20 to 30 years, this can only be a dream. For this, history will pass a just judgement on the merits and faults, and rights and wrongs, of the present Dalai Lama.

**Price Violations Increase Acutely in Yunnan**  
*HK2508145588 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 24 Aug 88*

[Text] According to information compiled by the provincial Price Check Bureau, cases of violating price policy and discipline are increasing in our province this year. In the 1st half of this year alone, more than 5,800 such cases were investigated and dealt with accordingly, involving a total of 5.2 million yuan of illegal income and over 200 percent of [words indistinct], compared to the same period last year.

The sharp increase in such cases occurred largely because a small number of factories boosted or raised prices in a disguised form just when the state stepped up price reform, when supply fell short of demand, and when there was panic buying. As a result, the normal economic order was disturbed.

A forum on price check work, that was called recently by the provincial Price Check Bureau in Kunming, advocated some methods and measures to strengthen price supervision. It called on all localities to further improve the work of price supervision and control, seriously investigate and deal with violations of price discipline, and maintain a sound economic order.

## North Region

**Inner Mongolia Holds Economic Conference**  
*SK2508114288 Hohhot Inner Mongolia Regional Service in Mandarin 1030 GMT 23 Aug 88*

[Excerpts] The Sixth North China Regional and the Fourth Northeast China Regional Economic and Technological Coordination Conference opened in Hohhot this morning.

Attending this conference were various delegations led by responsible comrades of the eight provinces, cities, and the region in north and northeast China, and responsible persons of the State Planning Commission, the Ministry of Finance, the Ministry of Energy Resources, Ministry of Communications, and the Ministry of Railways.

Qian Fenyong, deputy secretary of the regional party committee, presided over today's opening ceremony. Wang Qun, secretary of the regional party committee, gave an opening address.

Comrade Wang Qun said: This conference is convened amid a critical moment during which the whole country is comprehensively deepening reform and economic cooperation has entered a new development stage. Having the leading comrades of the relevant departments and committees of the eight provinces, cities, and regions and of the State Council sit together to jointly discuss the major plans of accelerating reform, opening up, and strengthening cooperation is of great significance in accelerating the commodity economic development of the north and northeast regions, invigorating the regional economy, eliminating barriers with coordinated efforts, and winning victory. He said: We have also maintained that Inner Mongolia's natural resources and treasure belong not only to Inner Mongolia but also to the whole country. In addition to serving Inner Mongolia's construction, these natural resources and treasure should also be actively used to serve the four modernizations of various provinces, cities, and regions, particularly the north and northeast regions. At present, during the implementation of the economic development strategy for the coastal areas, we have put forth the guiding ideology of making Inner Mongolia serve as a supporting force. This means that we will use our superiority of natural resources to support the development of an export-oriented economy in the coastal areas and use the funds and personnel from the coastal areas to accelerate our region's prosperity. We warmly hope that all provinces, cities, departments, enterprises, companies, scientific units, colleges, and universities in the north and northeast regions will come and invest in our Inner Mongolia and will jointly engage in mining, run



plants, open transport businesses, develop new products and the tertiary industry, and jointly develop and use Inner Mongolia's energy, transport facilities and raw materials, and the trade outlets. In this connection, we will offer sincere cooperation and preferential terms in an effort to learn from others' strong points to offset our weaknesses and to achieve coordinated development. [passage omitted]

In his speech, Alatan Aoqier, vice chairman of the regional government, pointed out: It is necessary to closely integrate the implementation of the economic development strategy for the coastal areas with economic development in the inland areas in an effort to promote coordinated development in the coastal and inland areas. In this connection, the conference should particularly perform four tasks well.

First, the coastal areas should take the initiative in readjusting the production set-up, gradually shift the high energy consumption industries to the inland areas, and actively concentrate manpower, material, and financial resources on developing technology-intensive industries and the export-oriented economy.

Second, it is necessary to formulate preferential policies to encourage the coastal areas to invest in the inland areas and to bring in a great amount of technology, personnel, and funds to jointly build energy and other raw material bases as well as agricultural and animal by-product bases.

Third, the inland areas, while developing their superior industries in line with their actual situation, should actively play a role in supporting the coastal areas, and use their natural resources and raw materials to support the coastal areas to rapidly establish an export-oriented economy.

Fourth, it is necessary to actively develop coordination between industry and foreign trade and between technological units and foreign trade, jointly develop and use the ports of Tianjin, Qinhuangdao, Dalian, Yingkou, and Dandong and the trade outlets in Heilongjiang and Inner Mongolia and further expand trade with Europe, the United States, Japan, Northeast Asia, the Soviet Union, and Eastern Europe.

In his speech, Alatanaoqier stressed: It is necessary to further intensify the multifunctional role of central cities and gradually establish prefectural and county markets of essential production elements with support from central cities. In addition, efforts should be made to actively develop enterprise groups, successfully conduct and manage some group activities, strengthen interregional economic coordination organs, establish necessary work systems, and unceasingly improve their functions.

Liu Zhongyi, vice minister of the State Planning Commission, attended and addressed the conference. He comprehensively expounded on the great significance and role of

deeply carrying out lateral economic cooperation by eliminating interregional blockages and barriers between departments and regions, and on the principles upon which we must persist and the problems we must consider.

Also speaking at the conference were Zhang Jianmin, vice mayor of Beijing Municipality; Wang Chenghuai, member of the Standing Committee of the Tianjin municipal party committee and chairman of the Tianjin Municipal Scientific and Technological Commission; (Song Keran), vice chairman of the Liaoning Economic and Technological Office; (Bai Guiqing), deputy secretary general of the Jilin Provincial People's Government; Li Rui, adviser of the Heilongjiang Provincial People's Government; Li Zhonglu, member of the Shenyang City party committee and deputy secretary general; and (Yin Yu), vice mayor of Changchun City.

### Conference Ends

SK2608095788 Hohhot Inner Mongolia Regional  
Service in Mandarin 1030 GMT 25 August 88

[Text] The Sixth North China Regional and the Fourth Northeast China Regional Economic and Technological Coordination Conference ended in Hohhot this afternoon.

Alatan Aoqier, vice chairman of the regional government, presided over the conference and gave a summing-up speech. He said: This conference took the spirit of the 13th national party congress as the guideline, acted in line with the guidelines of the central authorities' recent proposal of gradually establishing a new order for the socialist commodity economy, implemented the development strategy for coastal areas, conscientiously summarized the achievements and experience in developing lateral economic cooperation in the north and northeast China regions, studied in particular the ways to integrate the economic development strategy for coastal areas with the development of natural resources and economic development in the inland areas, and deeply explored new ways to actively develop regional economic cooperation in an effort to promote economic development in the north and northeast China regions.

During the conference, through full consultations and discussions, the relevant departments of various provinces, cities and regions organized and established the north China supply and marketing, electronics, banking networks, the North China Higher Educational Schools' Scientific and Technological Development Group, and the northeast China scientific and technological and information networks. The north and northeast China regions reached accord on 64 business items involving a total cooperation fund of 212.8 million yuan.

This afternoon, the north China region held a signing ceremony and adopted an agreement of the north China regional joint meetings of provincial governors, city mayors, and chairmen, and a decision on safeguarding

the legal rights and interests of all quarters while conducting lateral economic cooperation in the five provinces, cities, and the north China region. The participants maintained that the formulation of the decision on safeguarding the legal rights and interests of all quarters in the north China region before the issuance of the relevant state policies, laws and regulations on safeguarding lateral economic cooperation will play a role in safeguarding the rights and interests of all quarters in lateral economic cooperation and will be favorable for promoting the sound development of lateral cooperation. The conference discussed and decided that this decision will be put into practice after it has been revised and supplemented by Shenyang City and jointly approved, signed, and issued by the people's governments of the three northeast provinces and Inner Mongolia.

The conference agreed in principle for the report to be submitted to the State Council on the situation of holding the north and northeast China regional economic and technological coordination conference and on the relevant issues. This report will be submitted to the State Council after it has been further revised and supplemented by our region and approved by the people's governments of the various provinces and cities in the north and northeast China regions.

The summary of the Sixth North China Regional Economic and Technological Coordination Conference pointed out that under the state guidance and help, and based on investigations and study, the five provinces, cities and the region in north China should assign forces to formulate a plan for developing major projects that meet overall state demands and the needs of all quarters. This plan will be put into practice with coordinated efforts after it has been approved by the governments of various provinces, cities, and regions.

The summary of the Fourth Northeast China Regional Economic and Technological Coordination Conference pointed out that northeast regional cooperation should be conducted in line with the principle of displaying superiority and strong points, mutually optimizing the labor associations, and using foreign-export outlets to seek common economic prosperity in an effort to raise regional cooperation to a new level. In this connection, we should carry out several tasks in a down-to-earth manner.

First of all, we must fully display the multifunctional role of some central cities such as Shenyang, Dalian, Harbin, and Changchun, gradually establish the prefectural and city markets of essential production elements with support from central cities. Second, we should further open both the south and north gates in the economic zone, make them mutually open up their ports, grasp the current favorable opportunities, exert joint efforts, and mutually help and supplement each other in an effort to accelerate the pace of common development.

**Shanxi People's Congress Inaugurates Paper**  
*OW2508143488 Beijing XINHUA Domestic Service*  
*in Chinese 0727 GMT 25 Aug 88*

[Text] Taiyuan, 25 Aug (XINHUA)—"REMMIN DAI-BIAO BAO," [0086 3046 0108 5903 1032—PAPER OF THE PEOPLE'S REPRESENTATIVES] which is established by the Shanxi Provincial People's Congress, will be published in Taiyuan in mid-August.

This is the first newspaper run by the people's representatives in China. It will report mainly on the activities of the people's representatives. It will also lay stress on publicizing the building of socialist democracy and legal system, reflecting aspirations of the people, and promoting organs of state power at various levels to exercise their functions and powers in accordance with the law and and strengthen themselves.

**Seawater Eases Tianjin Industrial Water Shortage**  
*OW2608044088 Beijing XINHUA in English*  
*0108 GMT 26 Aug 88*

[Text] Tianjin, August 26 (XINHUA)—An experimental seawater treating factory in Tianjin, a leading industrial city in north China, has supplied treated seawater to a chemical works here, easing the shortage of industrial water.

Designed and set up with a total investment of 3.5 million yuan by the Tianjin Tap Water Company, the seawater factory, the first of its kind in China, will provide 10,000 tons of treated seawater a day to the Tianjin Alkali Works, one of China's largest.

The alkali works uses the seawater to cool its equipment and dissolve the crude salt during the production of soda. That helps to save fresh water for which demand in the city is very great. It will also save about 25,000 tons of crude salt used every year in the alkali works. The project is expected to recover its investment in three years.

The experimental factory will also provide part of the city's residential areas with treated seawater, mainly for sanitary facilities.

According to experts, the factory will ease the city's fresh water shortage and reduce subsidence.

### Northeast Region

**Heilongjiang Meetings on Government Honesty**  
*SK2608024688 Harbin HEILONGJIANG RIBAO*  
*in Chinese 12 Aug 88 p 1*

[Text] Recently, the provincial party committee held successive Standing Committee meetings. It stressed that at present we should put an emphasis on discipline inspection committees at all levels to keep the party and

government organs clean, use this work to stimulate the success of all fields of work, and strive to raise our province's discipline inspection work to a new level.

The meetings pointed out that it is necessary to conscientiously investigate and handle major and appalling cases, to focus the work on investigating and handling some party and government organs' law and discipline violation cases such as corruption, bribery, manipulation of power for personal ends, neglect of duty, extortion of money, extravagance, and waste, and timely file and conscientiously investigate and handle all discipline violation cases when discovered. In addition, we should conscientiously solve difficult problems during investigation and problems concerning giving lenient punishment.

The meetings put forward that it is necessary to successfully grasp the positive and negative experience concerning clean and unclean party and government organs, and actively commend and publicize the typical cases of performing one's official duties honestly. We should earnestly analyze and strictly handle the typical examples of performing government work dishonestly in an effort to warn others against following a bad example and to strengthen our ability to resist corrosive influence. In doing discipline inspection work, we must adhere to the criterion of productive forces and raise the work of supporting and safeguarding reform to a higher level. At the same time, we should strengthen the self-construction of the discipline inspection contingents, and successfully conduct political structural reform among the discipline inspection departments.

Comrade Sun Weiben, secretary of the provincial party committee, presided over the meetings.

The meetings also discussed and adopted in principle "some regulations of the Heilongjiang Provincial CPC Committee and the provincial people's government on keeping the party and government organs and cadres honest and clean."

**Heilongjiang Trade Union Congress Opens**  
SK2608043288 Harbin Heilongjiang Provincial  
Service in Mandarin 2100 GMT 25 Aug 88

[Excerpts] The sixth congress of the Heilongjiang Provincial Trade Union Council opened in Harbin on the morning of 25 August.

At 0830 on 25 August, (Chen Shijun), executive chairman of the congress, declared the congress opened. Entrusted by some 8 million staff and workers throughout the province, 747 representatives from different fronts and trades attended the congress. Of them, some were full-time trade union workers, some were ordinary workers engaged in more than 100 types of production work, some were advanced models, and some were representatives of state enterprises and Sino-foreign joint ventures.

The representatives who had been elected by the staff and workers through secret ballot cheerfully gathered under the same roof to jointly suggest ways and means for creating a new situation in the workers' movement and trade union work.

Wang Xun, member of the Secretariat of the All-China Federation of Trade Unions, attended and made a speech at the congress. Attending the congress were leaders of the provincial party committee, Advisory Commission, People's Congress, government, CPPCC Committee, and Discipline Inspection Commission, including Sun Weiben, Hou Jie, Wang Zhao, Wang Luming, Zhou Wenhua, Chen Yunlin, Qi Guiyuan, Ma Guoliang, Xie Yong, Zhang Xiangling, He Shoulun, and Li Min; Li Jianbai, member of the Standing Committee of the NPC; and Zhao Dezun and Chen Jianfei, retired veteran cadres.

Zhou Wenhua, deputy secretary of the provincial party committee, made a speech at the congress. On behalf of the provincial party committee, he first expressed satisfaction with the work of the Trade Union Council done over the past 5 years, expressed his heartfelt thanks to the trade union, and set forth new requirements for future trade union work. [passage omitted]

Entrusted by the fifth provincial Trade Union Council, (Ni Zhirong), chairman of the provincial Trade Union Council, delivered a work report entitled "Emancipate Minds, Promote Reform, and Unite Staff and Workers Across the Province To Fight for Rejuvenating Heilongjiang."

Representatives of mass organizations and the provincial Military District, made speeches at the congress.



**Aborigines March for Land, Protection of Rights**  
HK2508122088 Hong Kong AFP in English 1139 GMT  
25 Aug 88

[Text] Taipei, Aug 25 (AFP)—Some 1,500 Aborigines marched through the Taiwan capital Thursday demanding the government return their native lands and protect their rights, eye-witnesses said.

The Aborigines from eight native tribes, some wearing traditional garb, began their peaceful five-hour parade around the streets of downtown Taipei at the Sun Yat Sen Memorial Hall, the witnesses said.

Some 50 policemen escorted the estimated 1,500 Aborigines as they sang and chanted slogans, they added.

Waving banners reading "Land is life" and "Mountain policy goes bankrupt," the marchers delivered a protest letter to the Cabinet Secretary General Chien Chun, the witnesses said.

The letter demanded that the government review its mountain land policy, return native lands claimed by the Aborigines and protect their rights.

Under the policy mountain lands have been divided into several categories such as forest land, arable land, construction land and national property.

Some 240,000 hectares (593,000 acres) has been designated as reserved land for the use of the Aborigines, but only 30 per cent is cultivatable, according to a spokesman for the demonstrators.

The demonstration, the first of its kind, was sponsored by the Return the Land to Native Inhabitants League, which comprises the Presbyterian Church and five civilian groups calling on the government to protect the rights of Taiwan's estimated 330,000 Aborigines and improve their living conditions.

League coordinator Wang Chung-hsin told AGENCE FRANCE-PRESSE the government must review its mountain land policy and return or compensate the tribal people for land appropriated for official purposes.

He added that the Aborigines had been robbed of their lands by successive rulers starting with the Dutch in the 17th century and continuing under the Chinese, Japanese and current Nationalist Chinese rulers.

He urged parliament to enact legislature to protect the Aborigines's land.

A lack of land had forced one-third of the tribal people to move to cities, he said, alleging that owing to discrimination most had failed to earn a decent living.

**Editorial Discusses U.S. Trade Bill**  
OW2508112388 Taipei CHINA POST in English  
19 Aug 88 p 4

[Editorial: "Is the U.S. Trade Bill Protectionist?"]

[Text] The trade bill which was approved by an overwhelming majority of the U.S. Senate on Aug. 4 has been regarded by many as the most significant shift in U.S. trade policy since 1945 and severely criticized as protectionist, if not downright imperialist. But Clayton Yeutter, the U.S. trade representative, has argued vehemently that this bill, though perhaps aggressive and confrontational, contains no protectionist provisions at all.

Our view is that whether this bill is protectionist or not depends on how it will be administered when it becomes law. As this bill was approved by the House on July 13 also by an overwhelming majority, 376-45, and since this is a presidential election year, no one doubts that President Ronald Reagan will sign it.

According to this bill the administration is empowered, though not required, to retaliate against any country which is found by the U.S. trade representative to maintain unfair trade practices. The weapon to retaliate is the revised provision 301 which gives the administration the power to increase tariff or impose quota against the offending country, and the official to carry out retaliation is the U.S. trade representative instead of the president as is the case now. The transfer of authority from the president to the trade representative is written into the bill because of the belief that the president is often too soft against offenders because of diplomatic or political reasons.

What could constitute "unfair trade practices" according to this bill? They include, among others, high tariffs, non-tariff barriers, dumping, export subsidies, piracy of U.S. intellectual property rights and mistreatment of labor. The problem is that there are simply no objective and proper criteria or measurements to determine what really constitutes "unfair" practices for any of the above categories.

As we all know, tariff structure, labor-management relations, composition of trade, treatment of property rights and the like are determined by a wide range of factors which include not only economic policies and stage of economic development of a country but also its social structure, values, institutions, and politics. One simply cannot expect, for example, that the tariff rates and structure of a developing nation should be the same as that of the United States or any other country.

Even for any one country the tariff structure changes over time. For example, in the United States the average tariff rate duties collected as a percent of dutiable imports) was above 30 percent for most of the years from 1820 to 1940. (It was about 60 percent in 1833 and in

1934.) The United States has become a free-trader only after the World War II. The United States should know better than anybody else about the politics and dynamics of high tariffs.

Yet the trade bill empowers the administration or rather the trade representative to pick on any country and say that the tariff is too high on this or that item and threaten to invoke provision 301. What assurances are there that the trade representative would not surrender to certain vested-interest groups and make a trading partner suffer? What assurances are there that the trade representative would not surrender to certain powerful labor unions and make a trading partner suffer?

Here lies the potential danger of the trade bill. It could become an instrument of powerful vested-interest groups in the United States and inflict serious damage to trade liberalization and the world economy as a whole. It is the potentially highly punitive and bilateral approach of the trade bill which would do serious damage to everyone including the United States.

A case in point is the current trade negotiations between the United States and the Republic of China [ROC]. We are of course referring to the turkey business. Does anybody really believe that imports of American turkey even without any tariff would do anything meaningful toward solving the trade imbalance between the United States and the ROC? Is it incorrect to say that the whole matter is a result of heavy pressure of certain vested-interest group in the United States?

What we need for the world today is freer trade, a multilaterally-based freer trade! We do not need an American trade policy which is punitive, protectionist and bilateral in nature. What we need is a trade policy which respects the dignity and sovereignty of any nation!

We surely do not mean that the U.S. trade bill is necessarily protectionist or imperialist. If administered with sensitivity and a worldwide perspective we believe it could be an effective instrument in promoting free trade!

**Reporters Not Allowed To Cover Mainland Meeting**  
*OW2508131488 Taipei CNA in English 1122 GMT*  
25 Aug 88

[Text] Taipei, Aug. 25; (CNA)—The Government Information Office [GIO] Wednesday denied a local newspaper report that the press can apply to the GIO to send reporters to cover the 22nd convention of the International Council of Scientific Unions next month in Beijing.

The ROC [Republic of China] plans to send a three-man delegation to the convention.

The GIO said in a statement that current government policy does not allow journalists to do reporting on the mainland. Whether the policy should be changed, the GIO said, is still under government consideration.

Before a decision is made, the GIO said, no applications for reporting on the mainland will be considered.

**Cabinet Approves Three Government Appointments**  
*OW2508135988 Taipei CNA in English 1012 GMT*  
25 Aug 88

[Text] Taipei, Aug. 25 (CNA)—The cabinet approved the appointment of three ranking government officials Thursday at its regular weekly meeting.

Vincent Siew, director general of the Board of Foreign Trade [BOFT], was named vice chairman of the cabinet-level Council for Economic Planning and Development. Siew, 49, of Taiwan, has a master's degree from the Graduate School of Diplomacy, National Chengchi University. He has also served as consul at the ROC [Republic of China] Consulate in Kuala Lumpur and as BOFT deputy director general.

Chang Lung-sheng, director general of the Interior Ministry's Construction and Planning Administration, was promoted to political vice minister of the Ministry of the Interior. Chang, 48, of Taiwan, has a master's degree in urban and regional planning from the University of Pennsylvania in the United States. He has worked at the ministry since he completed his overseas study.

Wu Tze-yuan, deputy secretary general of the Taiwan provincial government, was appointed director general of the Taiwan Provincial Home and Urban Development Bureau. Wu, 43, of Taiwan, has a doctoral degree from the Graduate School of Industrial Planning, Chinese Cultural University. He has been a section chief in the Interior Ministry's Construction and Planning Administration.

**Cabinet Approves Organic Law Revision**  
*OW2508194588 Taipei CNA in English 1524 GMT*  
25 Aug 88

[Text] Taipei, Aug. 25 (CNA)—The Executive Yuan approved Thursday [25 August] a revised draft of its Organic Law, under which the yuan will establish Ministries of Public Health and Welfare, Culture, Agriculture and Labor.

According to the draft, the National Youth Commission will be merged with the Ministry of Education and the Government Information Office, Environmental Protection Administration and Central Personnel Administration will change their names to the Government Information Agency, Environmental Protection Agency and Central Personnel Agency.

The draft will be sent to the Legislative Yuan for ratification.

## Hong Kong

### Human Rights Group Denied Access to Camp

HK2608080188 Hong Kong SOUTH CHINA  
MORNING POST in English 26 Aug 88 p 1

[By Michael Chugani in Washington and Simon Macklin]

[Text] British and Hong Kong officials have refused permission for an influential Washington-based human rights organisation to inspect conditions for Vietnamese boat people in the Hei Ling Chau detention centre. Britain's ambassador in Washington, Sir Antony Acland, has turned down the request by the Indochina Resource Action Centre (IRAC), which had planned to send a delegation to Hong Kong early next month.

Two leading United States senators, Mr Robert Dole and Mr Rudy Boschwitz, had backed the request for the group's access to the camp by writing directly to Sir Antony.

The IRAC sought to monitor Hong Kong's controversial new screening policy which empowers the Government to determine if boat people seeking first asylum in the territory are genuine refugees or just economic migrants who would be repatriated as illegal immigrants.

The president of IRAC, Dr Le Xuan Khoa, said the group was now reassessing the situation and would reapply to Sir Antony's office. The group is likely to send the two American lawyers it has commissioned to conduct its investigation, despite the denial of access to Hei Ling Chau.

IRAC had been granted permission to hold discussions with Hong Kong officials and to visit the territory's closed camps for those Vietnamese who arrived before June 16 and were classified as refugees.

Dr Khoa said the lawyers would investigate both the screening and the living conditions of boat people. Reports from Hong Kong indicated there had been an erosion of the basic human rights of the boat people, he said.

"IRAC had previously held up Hong Kong as a model for other Governments in the humane treatment of Vietnamese boat people but this no longer seemed to be the case," Dr Khoa said.

Some 100 boat people at Hei Ling Chau have alleged they were assaulted by officers of the Correctional Services Department following a disturbance on July 18 over cut-backs in food supplies at the centre. A report prepared by Correctional Services Department on the incident was presented to Security Branch officials yesterday.

It is understood that the Governor, Sir David Wilson, will examine the report and consider whether to order a further independent inquiry, demanded in a letter from the United Nations High Commissioner for Refugees. Government officials last night refused to comment on what the report contained but said a full statement would be issued once it had been studied.

Some Government officials are understood to be unconcerned at the international outcry which has followed the alleged beatings of the boat people. It has been suggested that if word of beatings reaches Vietnam, it might help to dissuade other Vietnamese people from setting out for Hong Kong.

It is understood that the CSD's internal report is more concerned with the disturbance at Hei Ling Chau than allegations of ill-treatment of the boat people who took part. The report is understood to be based on evidence provided by the officers of the detention centre but also includes statements by the boat people. None of the Vietnamese questioned by Correctional Services staff had access to legal counsel when making their statements and many were said to be under the age of 18.

Some 200 single male Vietnamese boat people were locked in their huts overnight after they protested at the food shortage. The next morning, 106 male Vietnamese boat people were segregated from other inmates and taken to the Lai Chi Kok reception centre.

An investigation by the UNHCR suggested the boat people taken to Lai Chi Kok were beaten by Correctional Services Department officers with truncheons.

A number of relief agencies and human rights organisations in Hong Kong have been denied permission to visit detention centres to check on living conditions and the treatment of the boat people.

The relief agency, Oxfam, has been lobbying the Government to be allowed access to the new centres since the new policy was introduced but has consistently been denied access by Security Branch officials.

Another group which wants to monitor the new screening policy, the powerful New York-based Lawyers Committee for Human Rights, has strongly criticised Hong Kong's inflexible position on the matter. A senior official of the group, Mr Arthur Helton, said keeping the camp offlimits to outsiders suggested that the human rights of detainees were being abused.

"A denial of access suggests there is an international policy of deprivation," Mr Helton said.

"And if it is an intentional policy, it is definitely a violation of human rights."



Mr Helton, who, along with a colleague, last year produced a scathing report of alleged human rights violations in Thai refugee camps, said he intended to visit Hong Kong next month or early October despite Sir Antony's rejection of the IRAC request.

"It won't keep us from going," Mr Helton said, adding that the Lawyers Committee for Human Rights intended to apply formally for access to Hei Ling Chau soon.

"We can still talk to other people even if we don't get access," he said.

Mr Helton also plans to visit Thai camps again and possibly travel also to Malaysia. But Thai diplomatic sources in Washington said it was unlikely Bangkok would grant Mr Helton permission to enter the camps because of his previous critical report.

"The report was not balanced. They blamed Thailand for everything," one source said.

Mr Helton, however, said: "I would be surprised if the Thais denied us access, even though they have always been less than enthusiastic."

A source close to IRAC in Hong Kong said the human rights group was concerned about the level of competence of the individual immigration officials who carried out the screening of new arrivals. These people really need to be experts in what has been going on in Vietnam and to have a good understanding of the cultural and historical background," he said.

But the fact the Government was not willing to allow access to the camps and an examination of the screening process suggested they were not confident of their own methods, the sources said.

Hong Kong officials say it is unlikely they will reverse their decision as they are not keen on establishing a precedent for allowing outsiders to view the screening process. A Government spokesman said outsiders were not allowed to witness the screening policy for security reasons. The Government was anxious not to reveal much about the screening process in case the boat people picked up tips on how to evade questions.

The UNHCR has been invited to send observers to witness the screening process but the offer has been declined as it does not want to appear to be showing approval for the Government's new policy.

It is understood that about 300 of the 8,924 Vietnamese boat people who have arrived in Hong Kong since the new policy was introduced have already been screened out as non refugees.

But Security Branch officials say the individual boat people will not be informed of their status until an appeal system has been established. It is anticipated that over 90 percent of those who have arrived since the introduction of the new policy will be screened out and that all will choose to appeal.

**16th Sino-British Lands Commission Meeting Held**  
*OW2608030388 Beijing XINHUA in English*  
1413 GMT 25 Aug 88

[Text] Hong Kong, August 25 (XINHUA)—The 16th meeting of the Sino-British Land Commission held here today agreed that the average cost of land production for the 1988-89 financial year would be 2,150 Hong Kong dollars per square metc.

The Land Commission confirmed that the 1988-89 land disposal program would be adjusted to provide 60 hectares of land for the Hong Kong University of Science and Technology, according to a brief statement issued by the commission.

Following a review of the supplementary land sales program, the two sides agreed to include a further 1.9 hectares of land in the 1988-89 land disposal program. Further similar reviews would take place later in the year, the statement said.

**Youth Delegation Meets With Ji Pengfei**  
*OW2608025388 Beijing XINHUA in English*  
1437 GMT 25 Aug 88

[Text] Beijing, August 25 (XINHUA)—Ji Pengfei, director of the Hong Kong and Macao Affairs Office of the State Council, today encouraged young people in Hong Kong to study hard in order to serve Hong Kong.

At a meeting with a delegation of the Hong Kong Federation of Youth Groups led by its President Lao Mou-chi, Ji also expressed the hope for more contacts between the young people from Hong Kong and the mainland, saying that they should swap experiences.

He said that the work for soliciting opinions for the Hong Kong Basic Law is still underway, adding that Hong Kong people have forwarded many interesting opinions. When the work is completed, the draft of the Basic Law will be revised to make it more suitable for the situation in Hong Kong, he said.

Lao Mou-chi said that his federation will call for Hong Kong young people to be more active in expressing opinions about the Basic Law.



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